

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

SPECIAL COMPLIANCE REPORT

OF

TOWN OF BARGERSVILLE

JOHNSON COUNTY, INDIANA

March 24, 2020 to April 28, 2020



**FILED**  
01/05/2021



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TO: THE OFFICIALS OF THE TOWN OF BARGERSVILLE, JOHNSON COUNTY, INDIANA

This is a special compliance report for the Town of Bargersville (Town), for the period March 24, 2020 to April 28, 2020, and is in addition to any other report for the Town as required under Indiana Code 5-11-1. All reports pertaining to the Town may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

We performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts and were limited to records associated with payroll. The Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Results and Comments, incorporated within this report, was not verified for accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

October 27, 2020

TOWN OF BARGERSVILLE  
RESULTS AND COMMENTS

**BACKGROUND**

The Town Employee Handbook outlines the authority for "Business Closures." It states, "The Town Manager or Utilities Administrator may authorize the closing of a Town facility or department or a reduction of operations (within their respective lines of reporting) due to emergency conditions. When a Town facility is closed due to emergency conditions, affected employees may be reassigned to other locations. Each affected employee who cannot be reassigned, or was not absent or on leave for other reasons, will be given leave with pay."

On March 24, 2020, in response to Governor Holcomb's executive order issued on March 23, 2020, requiring employees to stay at home from March 24, 2020 through April 6, 2020, a memo was sent to all Town employees stating that "the Town will be reducing operations to essential staff only." The memo also stated that "Non-essential employees will be paid their regular wages during this time period. Essential employees may receive additional compensation for hours worked." The memo was signed by Nancy Kehl, Clerk-Treasurer; Julie Young, Town Manager; and Kenneth Zumstein, Utilities Administrator.

Town Council members became aware on April 24, 2020, that hourly employees deemed essential workers were being paid time and a half for the hours worked. On April 28, 2020, at the Town Council meeting, the Town Council unanimously voted to halt time and a half payment for hours worked.

The Indiana State Board of Accounts (SBOA) became aware of the payroll irregularities. The SBOA examined the payroll records and reviewed the policies set forth by the Town Council as well as statutory and regulatory requirements. The following describes the noncompliance with statutes, Town Council policies, and the *Accounting and Uniform Compliance Guidelines Manual for Cities and Towns*.

**EXCESS WAGES PAID DURING COVID CLOSURE**

We conducted a review of the wages paid to all Town employees beginning with the payroll paid on March 16, 2020, through payroll paid on May 10, 2020. We determined that salaried employees who worked were paid their regular pay. Those considered non-essential employees were paid at their normal hourly rates. Those considered essential employees were paid their normal hourly rates if they were not required to report to work during their normal work time and were paid time and a half for hours actually worked as essential employees. There were 49 employees who were paid time and a half for hours worked during the business closure of the Town. The following schedule shows the difference between what the normal hourly rate wages were compared to what time and a half wages were for those 49 employees during this time:

Hours Worked During Closure	Wages Calculated at Normal Pay Rate	Wages Paid at Time and a Half	Excess Paid Over Normal Pay Rate
6,374.47	<u>\$ 153,176.27</u>	<u>\$ 229,838.50</u>	<u>\$ 76,662.23</u>

TOWN OF BARGERSVILLE  
RESULTS AND COMMENTS  
(Continued)

The Town Employee Handbook gives authority for business closures to the Town Manager and the Utilities Administrator. The Town Employee Handbook does not give anyone the authority to pay employees at a rate beyond what was established by the Town Council.

All compensation and benefits paid to officials and employees must be included in the labor contract, resolution, or salary ordinance adopted by the governing body unless otherwise authorized by law. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

On September 29, 2020, the Town Council passed Resolution 2020-06 to approve the excess wages and not attempt to "claw back the above-described Extra-Compensation paid to employees during the height of the COVID-19 public health emergency."

***INTERNAL CONTROL DEFICIENCIES***

We noted deficiencies in the internal control system concerning the handling of payroll. These deficiencies included, but were not limited to, the governing body not being involved in the decision to pay employees at a rate different than stated in the salary ordinance; no formal policy addressing the COVID emergency; and the lack of oversight in the payroll process, which allowed the noncompliance with payroll guidelines.

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual: Uniform Internal Control Standards for Indiana Political Subdivisions. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. These standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

TOWN OF BARGERSVILLE  
EXIT CONFERENCE

The contents of this report were discussed on November 4, 2020, with Nancy Kehl, Clerk-Treasurer, and James Rumell II, President of the Town Council.