

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF WARREN

HUNTINGTON COUNTY, INDIANA

January 1, 2019 to December 31, 2019



**FILED**  
01/27/2021



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Marilyn Morrison	01-01-19 to 12-31-21
President of the Town Council	Julia Glessner	01-01-19 to 12-31-19
	Ethan Stivers	01-01-20 to 12-31-21



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

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TO: THE OFFICIALS OF THE TOWN OF WARREN, HUNTINGTON COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Warren (Town), for the period from January 1, 2019 to December 31, 2019. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statement Audit Report of the Town, which provides our opinions on the Town's financial statement. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit 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 Audit Results and Comments, incorporated within this report, was not verified for accuracy.

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

January 25, 2021

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CLERK-TREASURER  
TOWN OF WARREN

CLERK-TREASURER  
TOWN OF WARREN  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

The same comment also appeared in the immediately prior Report B53871.

*Condition and Context*

Although the Town Council had established internal control standards by passing Ordinance 2016-04 on June 13, 2016, the Town had not implemented these standards or assessed the quality of internal controls. As a result, there were several deficiencies in the internal control system of the Town related to the following significant audit areas:

*Cash and Investments*

The Clerk-Treasurer was responsible for performing the bank reconciliation of the depository accounts with the record balance. There were no internal controls in place, such as an oversight, review, or approval process, of the bank reconciliations. There was no review of the bank reconciliation after it was completed by the Clerk-Treasurer.

*Receipts*

The Town did not have a segregation of duties to ensure the accuracy of the receipts. A Clerk-Treasurer's office employee would collect receipts, record them to the financial ledger, and make deposits with no additional oversight or review by another person.

*Disbursements*

There were no internal controls in place over the payment of payroll disbursements. There was no review of the detail of payroll disbursements prior to or after disbursements were made and recorded. Additionally, time cards did not have evidence of review and/or approval from department heads.

*Financial Close and Reporting*

The Town did not have a proper system of internal controls in place to ensure transactions in the records were accurately reported into the Indiana Gateway for Government Units (Gateway) financial reporting system, which is the source of the Annual Financial Report and financial statement. The Clerk-Treasurer entered information into Gateway based on yearly accounting reports generated from the Town's accounting software. These reports were not reviewed by another Town employee.

*Criteria*

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. The standards include adequate control activities. According to this manual:

CLERK-TREASURER  
TOWN OF WARREN  
AUDIT RESULTS AND COMMENTS  
(Continued)

"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. . . ."

### **RECEIPTS**

A similar comment also appeared in the immediately prior Report B53871, entitled *CONDITION OF RECORDS*.

#### *Condition and Context*

The Town received state distributions totaling \$1,472 into the Town bank account by direct deposit without receipting it into its financial records. Additionally, some state distributions received for electric service payments were deposited by direct deposit to the Town's bank account each month from January to October and were not recorded in the financial records until December.

#### *Criteria*

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

### **BANK ACCOUNT RECONCILIATIONS**

The same comment also appeared in prior Reports B39853, B45860, and B53871.

#### *Condition and Context*

A separate depository reconciliation for each bank account was prepared. In some instances, depository reconciliations of the fund balances to the bank account balances were incomplete and incorrect. Some amounts used in the reconciliations could not be verified to supporting documentation. The financial statement cash balance exceeded the combined bank balances at December 31, 2019, in the amount of \$17,019.

CLERK-TREASURER  
TOWN OF WARREN  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**UNCOLLECTIBLE UTILITY ACCOUNTS**

The same comment also appeared in the immediately prior Report B53871.

*Condition and Context*

The Town wrote off utility accounts as bad debts, but did not have a formal policy to address the write off of uncollectible utility accounts.

*Criteria*

The governing body of a unit must have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balance. Documentation must exist for all efforts made by the unit to collect amounts owed prior to any write-offs. Write-offs or adjustments to records which are not documented or warranted may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER  
TOWN OF WARREN  
EXIT CONFERENCE

The contents of this report were discussed on January 25, 2021, with Marilyn Morrison, Clerk-Treasurer; Ethan Stivers, President of the Town Council; and Steven Buzzard, Town Council member.

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TOWN COUNCIL  
TOWN OF WARREN

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AUDIT RESULTS AND COMMENTS

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TOWN COUNCIL  
TOWN OF WARREN  
AUDIT RESULTS AND COMMENTS  
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**TRAINING ON INTERNAL CONTROL STANDARDS**

The same comment also appeared in the immediately prior Report B53871.

*Condition and Context*

The Town Council did not ensure that appropriate personnel had received training concerning the internal control standards and procedures.

*Criteria*

Indiana 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

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TOWN OF WARREN  
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