

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF WINDFALL

TIPTON COUNTY, INDIANA

January 1, 2019 to December 31, 2020



FILED
12/16/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Amber Cooper	01-01-19 to 04-05-19
	(Vacant)	04-06-19 to 06-19-19
	Theresa B. Simmons	06-20-19 to 12-31-19
	Billie Berning	01-01-20 to 12-31-20
	Regina Schmitt	01-01-21 to 12-31-21
President of the Town Council	Andrea Garrity	01-01-19 to 12-31-20
	Denise Ryan	01-01-21 to 12-31-21



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF WINDFALL, TIPTON COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Windfall (Town), for the period from January 1, 2019 to December 31, 2020. 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/.

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

December 14, 2021

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CLERK-TREASURER
TOWN OF WINDFALL

CLERK-TREASURER
TOWN OF WINDFALL
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

The same comment also appeared in prior Reports B51936 and B54017, entitled *INTERNAL CONTROLS*.

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting, cash and investments, receipts, and disbursements.

The Town had not established internal controls over the financial information entered in the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report (AFR). The AFR is used to compile the financial statement presented in this report. The Town did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the AFR. The Clerk-Treasurer submitted the AFR; however, there was no evidence of an oversight, review, or approval process.

The Town had not separated incompatible activities related to cash. The Town did not have evidence of internal controls over cash reconcilements for the last six months in 2019 and all of 2020.

The Town had not separated incompatible activities related to receipts. There was no evidence during the audit period of another person being involved with the receipt process for the Town.

The Town had not separated incompatible activities related to disbursements. There was no evidence of fiscal officer and Town Council approval of claims for the last six months of 2019 and all of 2020.

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:

"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. . . ."

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

FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

The financial information entered in the Indiana Gateway for Government Units (Gateway) financial reporting system was not accurate. This information was the source of the Annual Financial Report (AFR). The AFR is used to compile the financial statement. The financial statement presented for audit included the following errors:

1. General Fund disbursements for 2019 were understated by \$65,000. This was due to a transfer that occurred during the year from the General Fund to the Sinking Fund. The Town received the \$65,000 into the Sinking Fund in December 2019, but did not record the disbursement from the General Fund.
2. SRF Bank of New York Bond & Interest fund receipts were understated by \$45,650, and disbursements were overstated by \$10,657 for 2020.
3. BONY - DSR Fund receipts were understated by \$4,728, and disbursements were overstated by \$4,971 for 2020.
4. LOIT Special Distribution fund receipts were overstated by \$100,000, and disbursements were overstated by \$93,320 for 2020.
5. Community Crossings Matching Grant fund receipts were understated by \$100,000, and disbursements were understated by \$93,320 for 2020. This fund was not originally included on the Town's AFR, but was included in the financial records.
6. SRF WW 2020 BAN fund receipts were understated by \$425,307, and disbursements were understated by \$425,307 for 2020. This fund and its activity were not properly recorded in the financial records or on the AFR.
7. SRF WW 2020 Construction Loan fund receipts were understated by \$722,847, and disbursements were understated by \$284,625 for 2020. This fund and its activity were not properly recorded in the financial records or on the AFR.

Audit adjustments were proposed, accepted by the Town, and made to the financial statement.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

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)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

BANK ACCOUNT RECONCILIATIONS

Condition and Context

The Town did not complete the bank reconciliations on a monthly basis. Of the bank reconciliations tested, 90 percent were not completed in a timely manner. The dates of completion range from three to seven months after month end.

The Town did not include the SRF WW 2020 BAN and SRF WW 2020 Construction Loan bank accounts in its records or on its monthly reconciliations. Therefore, the Town did not complete full reconciliations at the end of each month.

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."

OVERDRAWN CASH BALANCES

The same comment appeared in prior Reports B51936 and B54017, entitled *OVERDRAWN CASH BALANCES*.

Condition and Context

The financial statement presented for audit included the following funds with overdrawn cash balances at December 31, 2019, and December 31, 2020:

Fund	Deficit Balance at 12-31-19	Deficit Balance at 12-31-20
Payroll	\$ (84,611)	\$ (93,071)
Trash & Garbage Pickup--do not use	(37,225)	(37,225)
Sinking Fund	-	(16,733)
Water Cash Operating	(130,690)	(54,313)

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

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ACCOUNTING FOR THE IFA ADMINISTERED CRF MONEY

Condition and Context

The Town did not properly account for the Coronavirus Relief Fund (CRF) grant money in accordance with State Examiner Directive 2020-3 (Directive). The Town did not follow one of the two defined options as outlined in the Directive for its payroll related expenditures. The Town Council did not pass a resolution to authorize the public health and safety payroll costs reimbursement to be moved by claim from the CARES grant fund to the General Fund.

The public health and safety payroll costs reimbursement of \$21,769 was receipted into the CARES ACT fund on December 31, 2020. At that time, the expenditures upon which the reimbursement was based should have been recorded in the CARES fund or the reimbursed amount transferred through the claims process to the General Fund, which would have allowed the money to be expended for any general unit purpose. Either of these two methods would have allowed for the proper processing and recording of subsequent expenditures.

The Town had a balance of \$21,769 in the CARES ACT fund as of December 31, 2020. This was subsequently corrected in June 2021.

Criteria

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options.

Option One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and re-appropriate the general fund (or other fund) in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the general fund (or other fund), it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once option one is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

Option Two. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

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

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020.** (State Examiner Directive 2020-3)

ERRORS ON CLAIMS

Condition and Context

The Town paid claims without a fully itemized invoice or bill, and without the approval of the fiscal officer and the governing board in numerous instances. Accounts Payable Voucher Registers (Board docket) with fiscal officer and governing body signatures of approval were not provided for audit for the entire year of 2020.

Additionally, some disbursements were identified as being paid in advance of approval by the governing board. The Town did not provide for review a resolution or ordinance authorizing disbursements in advance of governing body approval.

Criteria

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

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

PUBLIC RECORDS RETENTION

Condition and Context

During the audit, we identified numerous instances where the Town did not retain proper documentation. The following issues were identified:

1. Numerous claims and supporting documentation for disbursements to the Internal Revenue Service and Indiana Department of Revenue were not provided.
2. Accounts Payable Voucher Registers signed by the fiscal officer and governing body for all of 2020, and part of 2019 were not provided.
3. Bank statements for 2020 were not retained, and had to be requested from the bank.

Criteria

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

CAPITAL ASSETS

Condition and Context

The Town did not have a capital asset policy, a detailed listing of capital assets, or perform a physical inventory of their capital assets at least every two years.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

PENALTIES AND INTEREST

Condition and Context

The Town paid \$696 in penalties and interest due to late payments in 2019 and 2020.

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

Criteria

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

Condition and Context

As of December 14, 2021, complete bank reconcilements, all approved board minutes, and all funds ledgers for 2019 and 2020 had not been uploaded by the Clerk-Treasurer.

Criteria

The following files and governmental unit information are required to be uploaded monthly by all units except as noted:

- Bank Reconcilements, Bank Statements, and Outstanding Check Lists
- Approved Board Minutes, please see the user guide for more information and examples
- Funds Ledger, summarizing total receipts, disbursements, and beginning and ending balances by fund

(Amended State Examiner Directive 2018-1)

LATE SUBMISSION OF ANNUAL FINANCIAL REPORT

Condition and Context

The Town's Annual Financial Report for 2019 and 2020 were not filed electronically until June 11, 2020, and March 4, 2021, which was 103 and 3 days past the due dates, respectively.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

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

MVH RESTRICTED FUND

Condition and Context

The appropriate amount of MVH distributions were not receipted into the MVH - Restricted fund. During 2019, only 37 percent of distributions were receipted into the MVH - Restricted fund. During 2020, amounts that were not MVH distributions were erroneously receipted into the MVH - Restricted fund totaling \$652.

Criteria

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted. (State Examiner Directive 2018-2)

EMPLOYEE TIMECARDS

Condition and Context

The Town did not provide timecards for two employees in 2019.

Criteria

Indiana Code 5-11-9-4 states:

"(a) The state board of accounts is hereby authorized to prescribe the forms of accounts and vouchers provided for by sections 1 and 2 of this chapter.

(b) The state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees:

(1) covered by section 1 or 2 of this chapter; and

(2) employed by more than one (1) public agency or in more than one (1) position by the same public agency described in section 1 or 2 of this chapter."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

A similar comment also appeared in prior Report B51936, entitled *ADOPTION OF INTERNAL CONTROL STANDARDS*; and Report B54017, entitled, *CERTIFICATION ON INTERNAL CONTROL STANDARDS*.

Condition and Context

The Clerk-Treasurer incorrectly certified on the Indiana Gateway for Government Units financial reporting system that the Town had provided personnel with training over the minimum internal control standards when they had not actually received the training.

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

Context

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

CLERK-TREASURER
TOWN OF WINDFALL
EXIT CONFERENCE

The contents of this report were discussed on December 14, 2021, with Regina Schmitt, Clerk-Treasurer; Denise Ryan, President of the Town Council; and Theresa Simmons, Vice President of the Town Council.

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TOWN COUNCIL
TOWN OF WINDFALL

TOWN COUNCIL
TOWN OF WINDFALL
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

A similar comment also appeared in prior Reports B51936 and B54017, entitled *ADOPTION OF INTERNAL CONTROL STANDARDS* and *TRAINING ON INTERNAL CONTROL STANDARDS*, respectively.

Condition and Context

Town employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the Town, had not received training over the minimum internal control standards as defined by the Indiana State Board of Accounts.

Criteria

Indiana Code 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."

TOWN COUNCIL
TOWN OF WINDFALL
EXIT CONFERENCE

The contents of this report were discussed on December 14, 2021, with Regina Schmitt, Clerk-Treasurer; Denise Ryan, President of the Town Council; and Theresa Simmons, Vice President of the Town Council.