

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF WEST TERRE HAUTE

VIGO COUNTY, INDIANA

January 1, 2018 to December 31, 2018



FILED
03/17/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Nicole Keith Lisa Marie McCalister	01-01-18 to 12-31-19 01-01-20 to 12-31-22
President of the Town Council	Shane Smith Chuck Stranahan Shane Smith	01-01-18 to 12-31-19 01-01-20 to 12-31-21 01-01-22 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF WEST TERRE HAUTE, VIGO COUNTY, INDIANA

This report is supplemental to our audit report of the Town of West Terre Haute (Town), for the period from January 1, 2018 to December 31, 2018. 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.

Beth Kelley, CPA, CFE
Deputy State Examiner

March 14, 2022

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CLERK-TREASURER
TOWN OF WEST TERRE HAUTE

CLERK-TREASURER
TOWN OF WEST TERRE HAUTE
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to disbursements and financial reporting.

Disbursements (Payroll) - Internal controls were in place but were not operating effectively in the review and approval of payroll timesheets. Of the 40 timesheets tested, 4 did not contain the employee approval, and 2 of those timesheets did not include the approval of the supervisor.

Financial Reporting - The Town did not have an effective system of internal control in place to prevent, or detect and correct, errors in the Annual Financial Report (AFR) entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statement.

The AFR contained errors and did not properly reflect the financial activity of the Town. The Payroll Clearing Account and Storm Water B&I funds were omitted from the AFR. In addition, other reporting errors were noted in several funds. In total, the receipts, disbursements, and beginning and ending cash and investment balances reported were overstated as follows:

Cash and Investments <u>01-01-18</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash and Investments <u>12-31-18</u>
\$ (764,203)	\$ -	\$ (69)	\$ (764,134)

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

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 WEST TERRE HAUTE
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. . . ."

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](#)."

CAPITAL ASSETS

Condition and Context

The Town did not maintain a detailed listing of capital assets owned at their acquisition value. In addition, a physical inventory was not completed every two years, as required.

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)

CLERK-TREASURER
TOWN OF WEST TERRE HAUTE
EXIT CONFERENCE

The contents of this report were discussed on March 14, 2022, with Lisa Marie McCalister, Clerk-Treasurer; Larry L. Cassagne, Town Council member; and Emilee Woolley, Chief Deputy Clerk-Treasurer.

TOWN COUNCIL
TOWN OF WEST TERRE HAUTE

TOWN COUNCIL
TOWN OF WEST TERRE HAUTE
AUDIT RESULT AND COMMENT

CAPITAL ASSETS

Condition and Context

The Town had not adopted a capital asset policy that detailed the threshold at which an item was considered a capital asset.

Criteria

The governing body of a unit must have a written policy concerning capital assets that includes at a minimum, the threshold at which an item is considered a capital asset. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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TOWN OF WEST TERRE HAUTE
EXIT CONFERENCE

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