

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF WAVELAND

MONTGOMERY COUNTY, INDIANA

January 1, 2017 to December 31, 2020



FILED

05/13/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mary S. Calvert	01-01-17 to 12-31-22
President of the Town Council	Kelley Hopkins	01-01-17 to 12-31-19
	Shawna Wilson	01-01-20 to 03-06-22
	Kelley Hopkins	03-07-22 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF WAVELAND, MONTGOMERY COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Waveland (Town), for the period from January 1, 2017 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 Statements Audit Report of the Town, which provides our opinions on the Town's financial statements. 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

April 28, 2022

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TOWN COUNCIL
TOWN OF WAVELAND

TOWN COUNCIL
TOWN OF WAVELAND
AUDIT RESULTS AND COMMENTS

TRAINING ON INTERNAL CONTROLS

Condition and Context

The Town approved Ordinance 2016-1 establishing internal control standards as required by the Indiana Code and the Indiana State Board of Accounts. Town Ordinance 2016-1 states that all officers, elected officials, and employees are required to comply with the policy; however, seasonal lake employees had not received the required training. Town officials did not ensure all personnel received training concerning the internal control standards and procedures adopted by the political subdivision.

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."

CAPITAL ASSETS POLICY

Condition and Context

The Town had not established a capital assets policy. The Town was maintaining a capital assets ledger, but had not established a policy detailing a threshold or inventory requirements.

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 Towns, Chapter 1)

TOWN COUNCIL
TOWN OF WAVELAND
EXIT CONFERENCE

The contents of this report were discussed on April 28, 2022, with Mary S. Calvert, Clerk-Treasurer; Kelley Hopkins, President of the Town Council; Michael Frazier, Town Council member; and Shawna Wilson, Town Council member.

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CLERK-TREASURER
TOWN OF WAVELAND

CLERK-TREASURER
TOWN OF WAVELAND
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER RECEIPTS

A similar comment also appeared in the prior Report B49290, entitled *DEFICIENCY IN INTERNAL CONTROL - GATE RECEIPTS*.

Condition and Context

The Town had not separated incompatible activities related to receipts. There was no evidence of another person being involved with any of the receipt processes for the Town. Additionally, the Town did not have adequate internal controls in place to ensure that receipts to the Lake Waveland fund, which has a separate receipting process from the Town, were accurate. Supporting documentation to substantiate receipts for the Lake Waveland fund was not properly maintained. No evidence of a review by another employee for any of the Lake Waveland fund receipts was provided.

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. . . ."

TIMELINESS OF DEPOSITS - LAKE WAVELAND

Condition and Context

There were two instances of credit card transactions and five instances of cash transactions where multiple days of collections were deposited together on the same business day of the 83 receipts tested. In one instance, the credit card deposit made on April 4, 2019, included credit card transactions dated March 16 to March 22, 2019.

Cash receipts were not deposited in a timely manner for 27 of 83 days tested. The cash deposits were made between 2 and 16 business days after the transaction date. Of the 27 days, there were 13 days in which deposits were made more than 5 business days after the initial receipt date.

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

Criteria

Indiana Code 5-13-6-1 states in part:

". . . (d) Except as provided in subsection (g), . . . a town shall deposit funds not later than the next business day following the receipt of the funds in depositories:

(1) selected by the city or town as provided in an ordinance adopted by the city or the town; and

(2) approved as depositories of state funds. . . .

(g) The following are not required to deposit funds on the business day following receipt if the funds on hand do not exceed five hundred dollars (\$500): . . .

(2) A local officer of a political subdivision required to deposit funds under subsection (c) other than a township trustee.

(3) A city or a town required to deposit funds under subsection (d). . . ."

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)

FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

The financial information entered in the Indiana Gateway for Government Units financial reporting system was not accurate. This information was the source of the Annual Financial Report (AFR), which is used to compile the financial statements. The 2018 financial statement presented for audit did not include a Local Road and Bridge matching grant in the amount of \$75,000. This grant was reported in its financial ledgers, but was not reported in the AFR. This resulted in an understatement of receipts and disbursements of \$75,000 on the 2018 financial statement.

Audit adjustments were proposed, accepted by the Town, and made to the 2018 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](#)."

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

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)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

The Town created an MVH Restricted fund, but titled the fund Motor Vehicle Allocated fund and did not assign it to Fund 203. Additionally, the Town did not report the funds separately on the Annual Financial Report.

Audit adjustments were proposed, accepted by the Town, and made to the financial statements to rename the Motor Vehicle Allocated fund as the MVH Restricted fund and to report it as a separate fund.

Criteria

The purpose of this Directive is to authorize and require counties, cities, and towns that receive distributions from the State Motor Vehicle Highway Account to **create a new sub-fund within the MVH Fund** to properly manage and account for the usage restrictions that were included in House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018.

The sub-fund will be referred to throughout this Directive as "MVH Restricted" and will be used to account for MVH monies which have been statutorily restricted for construction, reconstruction, and preservation purposes.

On the chart of accounts, the MVH Fund and MVH Restricted sub-fund shall be shown as follows:

...

Cities and Towns

Fund 201	MVH
Fund 203	MVH Restricted

Together, MVH and MVH Restricted shall constitute the total MVH Fund. MVH and MVH Restricted will be shown separately on the Annual Financial Report and Annual Operational Report. . . . (State Examiner Directive 2018-2)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Clerk-Treasurer incorrectly certified for each year of the audit period that internal control training had been received by all required officials and employees. The Town did not train all employees as required by its Ordinance 2016-1, which adopted internal control standards, and required that all officers, elected officials, and employees receive internal control training.

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

Context

Indiana Code 5-11-1-27(h) states:

"After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that:

- (1) the minimum internal control standards and procedures defined under subsection (e) have been adopted by the political subdivision; and
- (2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2)."

CLERK-TREASURER
TOWN OF WAVELAND
EXIT CONFERENCE

The contents of this report were discussed on April 28, 2022, with Mary S. Calvert, Clerk-Treasurer; Kelley Hopkins, President of the Town Council; Michael Frazier, Town Council member; Shawna Wilson, Town Council member; Betty Murphy, Lake Superintendent; and Donna Sabolick, Lake Clerk.