

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF CHURUBUSCO

WHITLEY COUNTY, INDIANA

January 1, 2019 to December 31, 2021



FILED
08/30/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Madalyn Sade-Bartl	01-01-19 to 12-31-22
President of the Town Council	Mark Pepple Nathan Van Horn Devin Keener	01-01-19 to 12-31-20 01-01-21 to 12-31-21 01-01-22 to 12-31-22
Town Supervisor	Jeremy Hart	01-01-19 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE TOWN OF CHURUBUSCO, WHITLEY COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Churubusco (Town), for the period from January 1, 2019 to December 31, 2021. 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.

A handwritten signature in blue ink that reads "Beth Kelley".

Beth Kelley, CPA, CFE
Deputy State Examiner

August 15, 2022

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CLERK-TREASURER
TOWN OF CHURUBUSCO

CLERK-TREASURER
TOWN OF CHURUBUSCO
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not established a system of internal controls or separated incompatible activities related to payroll or vendor disbursements. The failure to establish a system of internal controls could have enabled material misstatements or irregularities to occur and remain undetected.

Payroll Disbursements

There was no documented evidence of a review, oversight, or approval process for payroll in the Town's accounting system to ensure the accuracy of payroll disbursements. In addition, there was no documented evidence of a review, oversight, or approval process for submitted quarterly payroll reports, year-end payroll reports, and Internal Revenue Service Form W-2s, *Wage and Tax Statements*.

Vendor Disbursements

There was no documented evidence of a review, oversight, or approval process for vendor disbursements in the Town's accounting system to ensure the accuracy of vendor disbursement entries.

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 CHURUBUSCO
AUDIT RESULTS AND COMMENTS
(Continued)

PENALTIES, INTEREST, AND OTHER CHARGES

A similar comment also appeared in prior Report B53583.

Condition and Context

The Town paid \$516 in penalties and \$13 in interest in 2020 to the Indiana Department of Revenue as a result of untimely sales tax payments.

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)

ANNUAL FINANCIAL REPORT - SCHEDULE OF LEASES AND DEBT

Condition and Context

The total Ending Principal Balances reported on the Schedule of Leases and Debt in the Financial Statements Audit Report was understated by \$1,273,070. Audit adjustments were proposed and accepted by management to present the correct Ending Principal Balances on the Schedule of Leases and Debt.

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 CHURUBUSCO
EXIT CONFERENCE

The contents of this report were discussed on August 15, 2022, with Madalyn Sade-Bartl, Clerk-Treasurer, and Devin Keener, President of the Town Council.