

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF UNIVERSAL

VERMILLION COUNTY, INDIANA

January 1, 2020 to December 31, 2021



**FILED**  
12/27/2022



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sherrie Koma	01-01-20 to 12-31-22
President of the Town Council	Doug Martin	01-01-20 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

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TO: THE OFFICIALS OF THE TOWN OF UNIVERSAL, VERMILLION COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Universal (Town), for the period from January 1, 2020 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 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.

Beth Kelley, CPA, CFE  
Deputy State Examiner

December 8, 2022

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CLERK-TREASURER  
TOWN OF UNIVERSAL

CLERK-TREASURER  
TOWN OF UNIVERSAL  
AUDIT RESULTS AND COMMENTS

**APPROPRIATIONS**

The same comment also appeared in prior Reports B39755, B43148, B52100, and B56157.

*Condition and Context*

The following funds had disbursements in excess of budgeted appropriations for the amounts shown below:

Fund	Years	Excess Amount Expended
GENERAL FUND	2020	\$ 14,072
GENERAL FUND	2021	2,401

*Criteria*

Indiana Code 36-5-4-2 states in part: "Unless a statute provides otherwise, town monies may be disbursed only after an appropriation made by ordinance of the town legislative body . . ."

**BANK ACCOUNT RECONCILIATIONS**

The same comment also appeared in prior Reports B43148, B52100, and B56157.

*Condition and Context*

Depository reconciliations of the Town's fund balances to its bank account balances were not conducted on a monthly basis throughout the audit period. Bank reconciliations were prepared on the computerized accounting software, but the adjusted bank balances were not compared to the funds ledger which is necessary for the reconciliation to be accurate and effective. Additionally, detailed lists of year-end outstanding checks and other reconciling items were not presented for audit.

As a result, year-end bank account reconciliations did not balance, as the Town did not reconcile all depository accounts, including its Certificates of Deposit, to the ending cash and investments balance reported in its Annual Financial Reports (AFR) throughout the audit period. Failure to properly prepare bank reconciliations resulted in variances of \$6,321 and (\$5,440) as of December 31, 2020 and 2021, respectively.

*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, 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)

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

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

The same comment also appeared in prior Reports B52100 and B56157.

*Condition and Context*

Deficiencies in the internal control system of the Town related to financial transactions and reporting were identified. The Town had not separated incompatible activities related to cash and investments, receipts (including customer billings), and financial close and reporting. The failure to establish internal controls could have enabled material misstatements to occur and remain undetected.

In addition, there was an overall deficiency in the risk assessment and monitoring activities of the Town's internal control system.

*Cash and Investments*

Bank account reconciliations were performed by one individual. There were no documented internal controls in place to prevent, or detect and correct, errors in cash and investments, such as an oversight, review, or approval process.

*Receipts*

Receipts were issued, recorded, and deposited without a documented oversight, review, or approval process in place.

In addition, one individual handled all customer billing duties including sending bills to residents, processing payments, posting payments to customer accounts in the electronic billing software, and making related deposits; each of these tasks was completed without a documented oversight, review, approval process.

*Financial Close and Reporting*

One individual entered the Town's financial information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source for the Annual Financial Report (AFR) and financial statement. The Town's 2020 and 2021 AFRs were submitted in Gateway without an oversight, review, or approval process.

*Risk Assessment and Monitoring*

The Town had not established risk assessment or monitoring procedures related to its internal control system.

*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 UNIVERSAL  
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. . . ."

"Risk is the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment is the process used to identify and assess internal and external risks to the achievement of objectives, and then establish risk tolerances. Each identified risk is evaluated in terms of its impact and likelihood of occurrence. Overall, risk assessment is the basis for determining how risk will be managed. . . .

Management identifies risks to the achievement of the political subdivision's objectives across the unit as a whole and within each office or department. Analysis of risk through determination of objective measures and variance tolerance is the basis for determining how the risks should be managed. The response to risk is selected: acceptance, avoidance, reduction, or sharing. . . .

Internal control is a process, and part of that process is the responsibility for management to be continually aware of changes, both external and internal, that could affect the achievement of the political subdivision's objectives. Those changes should be analyzed for both their immediate effect and for any future impact. Management would then determine any modifications needed in the internal control process to adapt to these changes."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

**MOTOR VEHICLE HIGHWAY (MVH) - MVH RESTRICTED FUND**

The same comment also appeared in prior Report B56157.

*Condition and Context*

The Town allocated less than 50 percent of its distributions from the State Motor Vehicle Highway (MVH) Account into the MVH Restricted sub-fund in 2021.

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

In addition, disbursements from the MVH Restricted fund were used to pay for tree trimming and removal which is not an allowable use of this fund.

*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)

Indiana Code 8-14-1-5(c) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

**UTILITY BILLING**

The same comment also appeared in prior Report B56157.

*Condition and Context*

The Town's Water Utility Rate Ordinances (rate ordinances) state that late charge penalties are to be assessed at 10 percent of the bill if a customer is 30 days or more delinquent. The Town failed to assess penalties for delinquent customers at the approved rate throughout the audit period. The actual rate charged was less than 10 percent for each of the 5 bills tested that were 30 or more days delinquent.

The Town had an ordinance related to procedures for past due water charges. The ordinance required a customer's water to be shut off if the balance due was more than 60 days delinquent. Shut-offs were not promptly initiated, as required by the ordinance, when customer balances exceeded 60 days delinquent.

Payment plans were made with delinquent customers; however, the Town's ordinance does not establish any timelines or related procedures for payment plans.

The reconnect fee of \$50 was not assessed as required by the ordinance when delinquent bills were paid and service was restored.

*Criteria*

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Units have a responsibility to collect amounts owed to the unit pursuant to procedures authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**ANNUAL FINANCIAL REPORT**

*Condition and Context*

Financial and supplementary information are required to be reported annually on the Indiana Gateway for Government Units (Gateway) financial reporting system. The Town was not in compliance as follows:

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

*Schedule of Payables and Receivables*

The Town reported \$21,246 and \$0 in Accounts Payable (A/P) and Accounts Receivable, respectively, as of December 31, 2021; however, the Town did not provide supporting documentation for the A/P reported. An accounts receivable balance did exist in the amount of the outstanding water customer account balances at year end. The Town opted to remove the Schedule of Payables and Receivables from the Financial Statement Audit Report.

*Schedule of Leases and Debt*

The Town reported State Revolving Fund (SRF) Revenue Bonds as General Obligation (GO) Bonds. Additionally, there was more than one debt agreement that should have been reported in the schedule, as the unit had both SRF Revenue Bonds and SRF Bond Anticipation Notes, which the unit combined into a single reported debt issue in the schedule.

In addition, the Town reported an ending principal balance of \$422,160 as of December 31, 2021; however, the calculated ending principal balance for the Town's SRF Revenue Bonds and SRF Bond Anticipation Notes (combined) per amortization schedules provided was \$192,886.

Adjustments, for the ending principal balance and corresponding principal and interest due within one year, were proposed, accepted by the Town, and shown in the Schedule of Leases and Debt in the Financial Statement Audit Report.

*Schedule of Capital Assets*

The Town reported \$10 in Capital Assets as of December 31, 2021; however, the Town owns land, buildings, equipment, and other supplies that should have been reported as capital assets. The Town opted to remove the Schedule of Capital Assets from the Financial Statement Audit Report.

*Federal Grant Schedule*

The Community Development Block Grant expenditures of \$459,885 were omitted from the schedule.

*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 UNIVERSAL  
AUDIT RESULTS AND COMMENTS  
(Continued)

**CAPITAL ASSETS**

This same comment appeared in a Management Letter addressed to the Officials of the Town of Universal for the audit period ending December 31, 2019.

*Condition and Context*

The Town did not maintain a detailed listing of capital assets owned which reflected their acquisition value. In addition, the Town had not conducted a physical inventory in the last 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)

**MONTHLY AND ANNUAL UPLOADS**

*Condition and Context*

The files and governmental unit information that are required to be uploaded monthly include the bank reconciliations and statements, approved Town Council minutes and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

Annual upload requirements include the year-end bank statement, year-end outstanding check list, year-end investments, detail of receipt activity, detail of disbursement activity, current year salary ordinance, and an annual vendor history report.

The Town did not comply with Amended State Examiner Directive 2018-1, and failed to upload the required monthly files for May to December 2021, and the annual files for both 2020 and 2021 on the Indiana Gateway for Government Units financial reporting system.

*Criteria*

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

This amended directive is effective starting with December 2020 monthly files. The upload of December 2020 monthly files will be due February 15, 2021, and by the 15th of each month thereafter unless the State Board of Accounts (SBOA) establishes a different date. This is effective for 2020 annual files which will be due for upload March 1, 2021, for calendar year end units. . . . Thereafter, annual files must be uploaded no later than March 1st . . . for the prior year end unless the SBOA establishes a different date.

(Amended State Examiner Directive 2018-1)

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

***TIMELY RECORDING***

A similar comment also appeared in prior Reports B52100 and B56157, entitled *TIMELY RECORDING OF RECEIPTS*.

*Condition and Context*

Disbursements of the Water SRF Bond & Interest fund totaling \$9,010, that occurred in January and July 2020, were not recorded in the ledger until December 31, 2020.

*Criteria*

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 UNIVERSAL  
EXIT CONFERENCE

The contents of this report were discussed on December 8, 2022, with Sherrie Koma, Clerk-Treasurer; Doug Martin, President of the Town Council; Tessa Sowers, Town Council member; and Martha Padish, Town Council member.

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TOWN COUNCIL  
TOWN OF UNIVERSAL

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AUDIT RESULTS AND COMMENTS

**APPROPRIATIONS**

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*Condition and Context*

The following funds had disbursements in excess of budgeted appropriations for the amounts shown below:

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
GENERAL FUND	2020	\$ 14,072
GENERAL FUND	2021	2,401

*Criteria*

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

**BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS**

*Condition and Context*

The Town Council had not established or adopted a written policy related to write-offs of bad debts and uncollectible accounts.

TOWN COUNCIL  
TOWN OF UNIVERSAL  
AUDIT RESULTS AND COMMENTS  
(Continued)

*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)

**CAPITAL ASSETS**

The same comment appeared in a Management Letter addressed to the Officials of the Town of Universal for the audit period ending December 31, 2019.

*Condition and Context*

The Town had not adopted a capital assets policy during the audit period.

*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)

# TOWN OF UNIVERSAL & UNIVERSAL WATER CO.

TOWN OF UNIVERSAL &  
UNIVERSAL WATER CO.  
P.O. BOX 31  
UNIVERSAL IN 47884

Date: December 11, 2022

Indiana State Board of Accounts  
302 West Washington St. Room E418  
Indianapolis, IN 46204-2765

Re: Official Response to the Financial Statement Audit Report of Town of Universal for January 1, 2020 to December 31, 2021

Dear Indiana State Board of Accounts:

I and the town board and clerk have read over your financial audit report for the Town of Universal and plan to make all necessary changes noted within.

As you suggested, we will establish a threshold of \$5,000 as a capital asset and document this in our meeting minutes after we vote on it.

We will also develop Internal Controls, revise our water bill late fee by amended ordinance, and comply with all other recommendations by the Indiana State Board of Accounts.

Sincerely,



Doug Martin  
Board President of the Town of Universal, Indiana

TOWN COUNCIL  
TOWN OF UNIVERSAL  
EXIT CONFERENCE

The contents of this report were discussed on December 8, 2022, with Sherrie Koma, Clerk-Treasurer; Doug Martin, President of the Town Council; Tessa Sowers, Town Council member; and Martha Padish, Town Council member.