

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF SPENCER

OWEN COUNTY, INDIANA

January 1, 2021 to December 31, 2022



**FILED**  
03/30/2023



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cheryl Moke	01-01-21 to 12-31-23
President of the Town Council	Jon Stantz Michael Spinks	01-01-21 to 12-31-22 01-01-23 to 12-31-23
Utility Office Manager	John Hodge	01-01-21 to 12-31-23



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF SPENCER, OWEN COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Spencer (Town), for the period from January 1, 2021 to December 31, 2022. 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

March 16, 2023

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CLERK-TREASURER  
TOWN OF SPENCER

CLERK-TREASURER  
TOWN OF SPENCER  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

The same comment also appeared in prior Reports B53792, B55519, and B58936.

*Condition and Context*

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. Internal controls were either not in place or not effective for the following significant audit areas:

*Cash and Investments*

Bank account reconciliations were performed by one individual without a documented oversight, review, or approval process in place to ensure their accuracy and timely completion.

*Financial Close and Reporting*

The Treasurer prepared and submitted the financial information into the Indiana Gateway for Government Units financial reporting system, which is the source of the Annual Financial Report (AFR) and financial statement. There were no internal controls in place, such as a review and approval process, to ensure the accuracy of the AFR prior to submission.

*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.

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

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. . . ."

**CAPITAL ASSETS**

The same comment also appeared in prior Report B58936.

*Condition and Context*

The Town presented for audit a capital asset record with summary totals as of 2015 and additions noted for the years 2015 through 2022. The Town, including the Wastewater Utility, did not maintain a complete detailed listing of all capital assets owned, which reflected their acquisition value and date. There was no evidence of an inventory being performed every two years or a review of the schedule.

*Criteria*

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 SPENCER  
EXIT CONFERENCE

The contents of this report were discussed on March 16, 2023, with Cheryl Moke, Clerk-Treasurer, and Michael Spinks, President of the Town Council.