

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

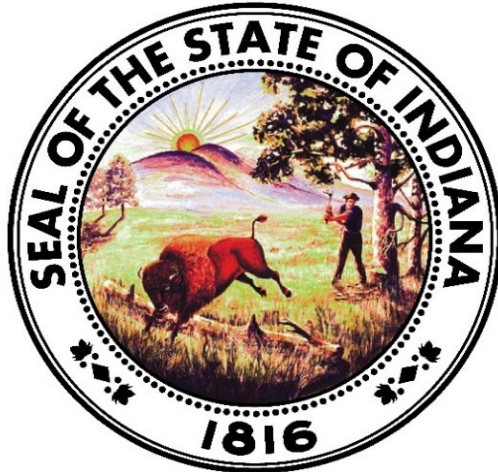
SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF SIDNEY

KOSCIUSKO COUNTY, INDIANA

January 1, 2018 to December 31, 2021



**FILED**

04/12/2023



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Lana Wolfe	01-01-18 to 01-13-20
	(Vacant)	01-14-20 to 01-22-20
	Etta Hurd	01-23-20 to 02-11-20
	(Vacant)	02-12-20 to 02-24-20
	Lydia Neal	02-25-20 to 05-09-20
President of the Town Council	(Vacant)	05-10-20 to 05-25-20
	Lisa A. Parrett	05-26-20 to 12-31-23
	Jack Wolfe	01-01-18 to 03-15-20
	Sharon Rancourt	03-16-20 to 12-31-23



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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TO: THE OFFICIALS OF THE TOWN OF SIDNEY, KOSCIUSKO COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Sidney (Town), for the period from January 1, 2018 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/](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.

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

Beth Kelley, CPA, CFE  
Deputy State Examiner

March 16, 2023

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CLERK-TREASURER  
TOWN OF SIDNEY

CLERK-TREASURER  
TOWN OF SIDNEY  
AUDIT RESULTS AND COMMENTS

**ERRORS ON CLAIMS**

A similar comment also appeared in prior Reports B45458 and B50886, entitled *ERRORS ON CLAIMS*.

*Condition and Context*

Only a minimal amount of claims for the years of 2018 and 2019 were presented for audit. Three to five folders were presented to the Field Examiner for review of claims paid for 2018 and 2019. No organization was discovered in the folders. There were claims paid in years prior to 2018, no claims paid during 2018, and haphazard minimal claims paid during 2019. Most of the claims found for 2019 were claims that included late fees and finance charges due to late payment. Based on inquiry with the current Clerk-Treasurer and current President of the Town Council, the Accounts Payable Vouchers, invoices, and other supporting documentation for claims paid during those two years were kept in an outside storage unit that was damaged by weather and animals destroyed most of the documentation.

*Criteria*

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

**FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS**

A similar comment also appeared in prior Report B50886, entitled *PAYROLL WITHHOLDING TAXES AND REPORTING*.

*Condition and Context*

The Town did not withhold federal or state taxes from salaries and wages paid to officers and employees during 2018. The Town did not report compensation of officers and employees to the Internal Revenue Service (IRS) or the State of Indiana on IRS Wage and Tax Statements - Form W-2. Instead, the Town reported those wages only to the IRS, on IRS Miscellaneous Income - Form 1099-MISC.



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

*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)

**LATE FEES AND FINANCE CHARGES**

*Condition and Context*

Numerous claims, bills, and invoices were paid late during the period of January 2018 through April of 2020. Some invoices were paid as much as nine months late. Due to not paying bills timely, the Town was assessed and paid late fees and finance charges totaling \$458. In addition, the Town was also assessed and paid an early termination fee of \$260 for phone and internet services from Frontier.

*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)

**SALES TAX PAID ON PURCHASES**

*Condition and Context*

The Town and the Wastewater Utility paid sales tax on various purchases, including material amounts included on purchased electricity for street lights and power for the Wastewater lift stations.

*Criteria*

Sales taxes that are paid on qualifying purchases 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)

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

**BANK ACCOUNT RECONCILIATIONS**

*Condition and Context*

The combined bank account reconciliation for December 31, 2018, could not be located or was not completed. The timeliness of the handwritten bank reconciliations during 2018 through 2019 could not be determined. Bank reconciliations were not prepared for any months during 2020. Bank reconciliations were completed during 2021, but contained unidentified variances each month. Based on the Indiana State Board of Accounts prepared reconciliations during the audit period, the total bank account balances and record balances reconciled on December 31, 2018, and December 31, 2019, but at December 31, 2020, and December 31, 2021, there was an unidentified variance of \$490, with the record balances being short of the bank balances.

*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."

**INTERNAL CONTROLS**

*Condition and Context*

There were deficiencies in the internal control system of the Town related to financial transactions and reporting.

*Cash and Investments*

No bank reconciliations were presented for 2018, 2019, and 2020. Bank reconciliations were completed for 2021, but contained an unidentified error. There was no oversight, review, or approval process to ensure that bank reconciliations were performed.

*Receipts*

The Clerk-Treasurer was responsible for issuing receipts for funds collected, preparing daily deposits for the bank accounts, taking the deposits to the bank, and entering receipts into the accounting software system. There were no internal controls in place, such as an oversight, review, or approval process.

*Disbursements (Including Payroll)*

Disbursements were paid prior to approval by the Town Council. The Clerk-Treasurer was responsible for processing vendor and payroll checks, signing checks, and inputting disbursements into the accounting software. There were no internal controls in place, such as an oversight, review, or approval process.

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

*Financial Close and Reporting*

The Clerk-Treasurer entered and submitted the financial information for the Town into the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Report and financial statements. There was no evidence of an internal control, such as an oversight, review, or approval process to ensure the accuracy of the information entered and submitted.

*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. . . ."

**ANNUAL FINANCIAL REPORTS**

*Condition and Context*

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The following noncompliance was noted with the AFR during the audit period:

- The AFRs for 2020 and 2021 were filed 46 days and 29 days late, respectively.
- The detailed fund receipt and disbursement information entered into Gateway was incorrect. The 2020 and 2021 bond principal and interest payments of \$19,716 and \$19,453, respectively, were incorrectly classified as Other Operating Disbursements instead of Principal and Interest Paid on Debt in the Wastewater Operating Fund.
- The leases and debt information entered into Gateway was not accurate. Ending Principal Balance and Principal and Interest Due Within One Year were overstated by \$15,000 and \$305,438, respectively.
- The Investment Fund Statement was not submitted in the AFR transmission for 2018 or 2019.

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

Adjustments were proposed and accepted by the Town, and made to the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances, and the Schedule of Leases and Debt reported as Required Supplementary Information and Other Information, respectively.

*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](#)."

**MONTHLY AND ANNUAL UPLOADS**

*Condition and Context*

The files and governmental unit information that are required to be uploaded monthly include the bank reconcilements, 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 the State Examiner Directive and failed to upload any of the monthly and annual files on the Indiana Gateway for Government Units financial reporting system for 2018 through 2021, until December 2022.

*Criteria*

State Examiner Directive 2018-1, as amended, requires the following files and governmental unit information to be uploaded monthly:

- Bank Reconcilements, Bank Statements, and Outstanding Check Lists
- Approved Board Minutes, please see the user guide for more information and examples
- Funds Ledger, summarizing total receipts, disbursements, and beginning and ending balances by fund

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

State Examiner Directive 2018-1, as amended, requires the following files and governmental unit information to be uploaded annually by March 1:

- Year-end Investment Statements
- Detail of Receipts for the year
- Detail of Disbursements for the year
- Current year Salary Ordinance (or Schedule) and Amendments
- Annual Vendor History Report
- Annual Payroll History Report, without social security numbers
- Annual Funds Ledger, summarizing year-to-date total receipts, year-to-date disbursements, and beginning and ending balances by fund
- Cities/Towns with courts: Court Trust Fund Subsidiary Detail as of December 31
- Optional: Excel Data Capture/Data Dump (in lieu of Detail of Receipts and Disbursements)

Annual files are due to be uploaded on Gateway no later than **March 1, 2022**. (Cities and Towns Bulletin and Uniform Compliance Guidelines, December 2021)

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)

## **CAPITAL ASSETS**

### *Condition and Context*

The Town does not have a Capital Assets policy that details a threshold amount to establish which items should be considered as a Capital Asset. The Town does not maintain a detailed listing of its Capital Assets that should reflect the acquisition value, nor does the Town keep track of additions or deletions. As a result, the Schedule of Capital Assets compiled from the information submitted with the Annual Financial Report for December 31, 2021, will not be included in the audit report.

### *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)

## **CERTIFICATION ON INTERNAL CONTROL STANDARDS**

### *Condition and Context*

The Town incorrectly certified on the Indiana Gateway for Government Units financial reporting system that internal control standards had been adopted for the years 2018 through 2020. The Town did not adopt internal control standards until July 12, 2021.

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

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Indiana Code 5-11-1-4(a) states:

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**ORDINANCES AND RESOLUTIONS**

*Condition and Context*

The monthly Revenue Bond Ordinance transfers required from Wastewater Operating to Wastewater Bond and Interest during 2019 and 2020 totaling \$19,847 and \$19,584, respectively, were not made, and only \$9,563 of \$19,322 required transfers were made during 2021.

*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)

CLERK-TREASURER  
TOWN OF SIDNEY  
EXIT CONFERENCE

The contents of this report were discussed on March 16, 2023, with Lisa A. Parrett, Clerk-Treasurer; Brandon Allen, Town Council member; Gavin Parrett, Town Council member; and Sharon Rancourt, President of the Town Council.

The contents of this report were discussed on March 20, 2023, with Lydia Neal, former Clerk-Treasurer.

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TOWN COUNCIL  
TOWN OF SIDNEY

TOWN COUNCIL  
TOWN OF SIDNEY  
AUDIT RESULTS AND COMMENTS

**SALARY ORDINANCES**

A similar comment also appeared in prior Reports B45458 and B50886, entitled *SALARY ORDINANCES*.

*Condition and Context*

The only salary ordinance presented for audit for 2018 through 2020 was for the year 2014, which contained a provision that salaries set therein ". . . shall be effective beginning January 1, 2014, and each year thereafter until such time as amended by subsequent ordinance."

The salary ordinance in effect included only the elected officials and included only the base amount paid from the Town's General fund. Amounts paid from the Wastewater Utility Operating fund and additional compensation for services paid pursuant to Indiana Code 36-5-3-2(d) were not included in the salary ordinance. Total compensation paid for the years 2018, 2019, and 2020 exceeded the amount included in the salary ordinance by \$13,320, \$11,670, and \$2,530, respectively.

*Criteria*

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**INTERNAL CONTROLS**

*Condition and Context*

There were deficiencies in the internal control system of the Town related to financial transactions and reporting.

*Cash and Investments*

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

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TOWN COUNCIL  
TOWN OF SIDNEY  
EXIT CONFERENCE

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