

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

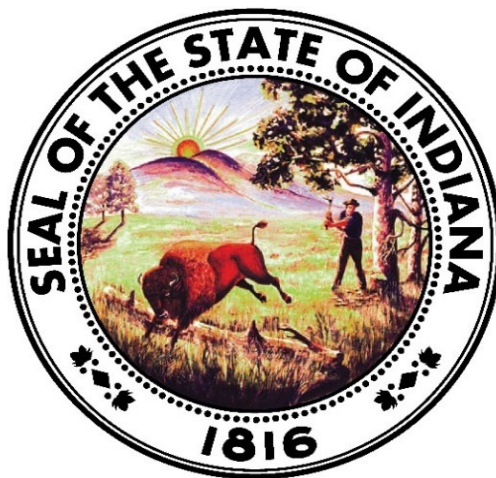
SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF COLFAX

CLINTON COUNTY, INDIANA

January 1, 2018 to December 31, 2022



FILED
04/21/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Betty Snell Regina Pifer	01-01-18 to 12-31-19 01-01-20 to 12-31-23
President of the Town Council	Bob Stambaugh Gavin Jones Marty Stevens Julie Lewellen	01-01-18 to 12-31-18 01-01-19 to 12-31-20 01-01-21 to 12-31-22 01-01-23 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF COLFAX, CLINTON COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Colfax (Town), for the period from January 1, 2018 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 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 5, 2023

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CLERK-TREASURER
TOWN OF COLFAX

CLERK-TREASURER
TOWN OF COLFAX
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

A similar comment appeared in the prior Report B51467.

Condition and Context

The Town did not separate incompatible activities related to receipts. The Clerk-Treasurer was the only employee involved in the receipt process for the Town; there was no oversight or review by another individual.

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. . . ."

TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Town adopted the acceptable minimum level of internal control standards as required by IC 5-11-1-27(g) but did not provided training to all employees who should have received training.

The Town certified on the Indiana Gateway for Government Units reporting system that the Town trained on internal control standards in 2018, 2019, 2020, 2021, and 2022. However, not all employees who should have received the training actually received the training, so the certification was incorrect.

Criteria

Indiana Code 5-11-1-27 states in part:

". . . (g) 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.

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

(h) After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that:
...

(2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2).

The certification shall be filed with the state board of accounts at the same time as the annual financial report required by section 4(a) of this chapter is filed. The certification shall be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

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](#)."

PENALTIES, INTEREST, AND OTHER CHARGES

A similar comment also appeared in priors Report B41667 and B51467, entitled *UTILITY RECEIPTS TAX*.

Condition and Context

The Water Utility did not pay Utility Receipts Tax (URT) to the Indiana Department of Revenue from 2008 through 2017. A comment appeared in the Supplemental Report for the audit period 2010-2011 and again in the audit period 2012-2017.

On December 17, 2018, the Water Utility paid the URT amounts due for 2008 through 2017 along with penalties and interest assessed for those years. Penalties and interest assessed and paid for 2008 through 2011 totaled \$1,602.64. Penalties and interest assessed and paid for 2012 through 2017 totaled \$1,428.55.

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)

We requested that Betty Snell, former Clerk-Treasurer, reimburse the Town for penalties and interest paid during the 2012 through 2017 audit period as noted above. (See Summary of Charges, page 11)

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

ERRORS IN RECEIPTS

Condition and Context

The Town receipted some local distributions into the incorrect funds:

In 2019, \$42,348 of General Property Taxes and License Excise was receipted into the Cumulative Capital Development fund instead of the General fund and \$705 for Financial Institution Tax was receipted into the Cumulative Capital Development fund instead of the General fund.

In 2020, \$55,507 of General Property Taxes and License Excise was receipted into Cumulative Capital Development instead of the General Fund and \$562 for Financial Institution Tax was receipted into Cumulative Capital Development fund instead of the General fund.

In 2022, \$767 of Financial Institution Tax was receipted into Cumulative Capital Development instead of the General Fund and \$1,301 of Commercial Vehicle Excise Tax was receipted into Cumulative Capital Development instead of the General fund.

Criteria

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CAPITAL ASSETS

Condition and Context

In 2019, assets were added to the capital asset ledger with no documentation to support the acquisition value.

Also, a physical inventory of capital assets had not been completed since 2019.

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)

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

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

Financial and other information are required to be entered annually into the Annual Financial Report via the Indiana Gateway for Government Units (Gateway) financial reporting system. The following information entered into Gateway was not accurate:

1. The Town did not complete the accounts payable schedule for all years of the audit period and thus it was not presented as other Information in the Financial Statements Audit Report.
2. The capital assets information was materially incorrect for all years of the audit period and thus was not presented as other Information in the Financial Statements Audit Report.
3. The leases and debt information for 2018 was materially incorrect. However, adjustments were proposed and accepted and reported accurately in the Schedule of Leases and Debt presented as Other Information in the Financial Statements Audit Report.
4. The grant information reported for 2019 and 2022 did not include grants for \$90,927 and \$85,500, 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](#)."

CLERK-TREASURER
TOWN OF COLFAX
EXIT CONFERENCE

The contents of this report were discussed on April 5, 2023, with Regina Pifer, Clerk-Treasurer, and Julie Lewellen, President of the Town Council.

TOWN OF COLFAX
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Betty Snell, former Clerk-Treasurer: Penalties, Interest, and Other Charges, page 7	<u>\$ 1,428.55</u>	<u>\$ 1,428.55</u>	<u>\$ -</u>

This report was forwarded to the Office of the Indiana Attorney General.