

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF WINSLOW

PIKE COUNTY, INDIANA

January 1, 2019 to December 31, 2020



**FILED**

04/26/2023



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Stacy McCandless	01-01-19 to 01-01-21
	(Vacant)	01-02-21 to 01-10-21
	Corbin Dixon	01-11-21 to 07-31-22
	(Vacant)	08-01-22 to 08-05-22
President of the Town Council	Beth A. Bennett	08-06-22 to 12-31-23
	Joshua Popp	01-01-19 to 01-10-22
	Debbie Lamb	01-11-22 to 12-31-22
	Joni D. Stafford	01-01-23 to 12-31-23



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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TO: THE OFFICIALS OF THE TOWN OF WINSLOW, PIKE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Winslow (Town), for the period from January 1, 2019 to December 31, 2020. 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

April 19, 2023

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CLERK-TREASURER  
TOWN OF WINSLOW

CLERK-TREASURER  
TOWN OF WINSLOW  
AUDIT RESULTS AND COMMENTS

**ACCOUNTING OF THE IFA ADMINISTERED CRF MONEY**

*Condition and Context*

The Town did not properly account for the Coronavirus Relief Fund (CRF) monies administered through the Indiana Finance Authority (IFA) in accordance with State Examiner Directive 2020-3 (Directive).

The Town had negative cash and investments balances at December 31, 2020, of \$17,608 and \$6,422 in the Cares Act Public Health COVID-19 2020-02 fund and the Cares Act Facilitate Compliance actioncvd-19 2020-04 fund (CARES funds), respectively.

The Town recorded expenses for public health and safety payroll costs and non-payroll costs directly to the CARES funds. Of these costs, \$21,942 of non-payroll costs were incurred after October 22, 2020, at which time the Town should have utilized the guidance outlined in the Directive to properly account for the CRF funds.

*Criteria*

**Each local unit of government that receives an allocation from the Coronavirus Relief Fund administered by IFA shall establish a separate CARES grant fund with a fund number consistent with memorandum *Accounting and Appropriation of COVID-19 Grants, April 29, 2020* (updated September 29, 2020).**

**All Reimbursements received from IFA shall be receipted into a separate CARES grant fund that is specific to IFA reimbursements. . . .**

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options.

**Option One.** Reimbursements received from IFA shall be receipted into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and re-appropriate the general fund (or other fund) in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the general fund (or other fund), it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once option one is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

**Option Two.** Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

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

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020. . . .**

**Framework One.** Reimbursements received from IFA shall be receipted into the separate CARES grant fund. Reimbursed disbursements originally incurred in another fund will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the fund cash balance and re-appropriate the fund in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the original fund, it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

**Framework Two.** If IFA has provided reimbursement based on unpaid invoices or purchase orders, then reimbursements received from IFA shall be receipted into the separate CARES grant fund. The expenditures to vendors will be made through the CARES grant fund and these expenditures must match the application made to IFA. If the actual invoice or invoices relating to a purchase order is less than the purchase order, then the difference in the money expended to the vendor and the amount received for the purchase order from IFA must be returned to IFA. The items on the invoice must match the items on the purchase order. All documentation must be maintained.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

**Framework Three.** If you have created a negative balance in your CARES fund based on expenditures made in anticipation of receipt of reimbursement for allowable expenditures where invoices have already been submitted to IFA then leave as is and receipt reimbursement when received, bringing the balance in the separate CARES grant fund to zero. Going forward, expend any anticipated allowable expenditures from a fund with an appropriation and follow framework one. If a negative balance in the CARES grant fund is not fully reimbursed, then the unreimbursed amount will require a reverse entry and posting of the expenditure to the general or other appropriate fund within an appropriated line item.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund.**

(State Examiner Directive 2020-3)

## **ANNUAL FINANCIAL REPORT**

### *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 Town had not established effective internal controls over the AFR information entered into Gateway which resulted in the following errors:

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

*Financial Data*

The financial information entered into Gateway was inaccurate and not reflective of the financial activity of the Town's underlying financial records. In addition, the Town's underlying financial records contained several errors in the recording of the financial activity. Below is a summary schedule of adjustments made to the financial statement:

Fund	Year	Beginning Balance Adjustments	Receipt Adjustments	Disbursement Adjustments
General	2019	\$ 19,566	\$ (3,743)	\$ (23,626)
Motor Vehncle Highway	2019	-	(17,146)	-
Clerk	2019	-	41,186	31,379
Water Utility Operating	2019	(477)	(20,195)	(20,359)
Water Utl Meter Deposit	2019	-	379	300
Sewage Utility Operating	2019	(15,185)	(20,260)	(13,303)
Sewage Utl Bond & Interest	2019	-	-	(3,782)
Payroll	2019	(6,880)	(16,247)	(10,146)
Total adjustments		<u>\$ (2,976)</u>	<u>\$ (36,026)</u>	<u>\$ (39,537)</u>
General	2020	\$ -	\$ 1,291	\$ 681
MVH Restricted	2020	-	-	(17,763)
Clerk	2020	-	(9,312)	-
Water Utility Operating	2020	-	(317)	395
Sewage Utility Operating	2020	-	10	(154)
Payroll	2020	-	(19,216)	(18,604)
Total adjustments		<u>\$ -</u>	<u>\$ (27,543)</u>	<u>\$ (35,445)</u>

Adjustments were proposed, accepted by the Town, and made to the financial statement and the corresponding Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis.

*Accounts Payable/Accounts Receivable*

The Town failed to report any accounts payable or accounts receivable in Gateway. The Town opted to remove the Schedule of Accounts Payable/Receivable from the Financial Statement Audit Report.

*Capital Assets*

Although the Town reported capital asset amounts in Gateway, errors were noted in the detailed listing, and the Town opted to remove the Schedule of Capital Assets from the Financial Statement Audit Report.

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

*Leases and Debt*

The Town did not accurately report its debt. The Ending Principal Balance for the Sewage Work Revenue Bond was overstated by \$23,000 and the Principal and Interest Due Within One Year was overstated by \$327,700.

The Ending Principal Balance for the Special Program Waterworks Bond was overstated by \$72,000 and the Principal and Interest Due Within One Year was overstated by \$71,203.

The Ending Principal Balance for the Waterworks Revenue Bond was understated by \$7,000 and the Principal and Interest Due Within One Year was understated by \$8,450.

Adjustments were proposed, accepted by the Town, and made to the Schedule of Leases and Debt presented as Other Information.

*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](#)."

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 WINSLOW  
AUDIT RESULTS AND COMMENTS  
(Continued)

**BANK ACCOUNT RECONCILIATIONS**

*Condition and Context*

Depository reconciliations of the fund balances to the bank account balances were attempted; but were not considered to be correct for any month during the audit period because each contained unidentified reconciling items. It was determined that the reconciling items and variances were due to numerous posting errors that occurred throughout the audit period and caused funds to be overstated or understated and the ledger to be inaccurate.

*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)

**CAPITAL ASSETS**

*Condition and Context*

The Town did not have a complete detailed listing of all capital assets owned which reflected their acquisition value, nor was a complete physical inventory taken 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)

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The Clerk-Treasurer improperly certified on the 2020 Annual Financial Report that training over internal control standards had been provided to necessary personnel. Internal control standards had been adopted; however, training had not been provided to necessary personnel as of December 31, 2020.

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

*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](#)."

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

The same comment also appeared in prior Report B54752.

*Condition and Context*

The Town had not established an adequate system of internal control related to financial transactions and reporting. The Town had not separated incompatible activities related to cash and investments, receipts, disbursements, and financial close and reporting. A process was not in place to develop a complete system of internal controls taking into consideration the Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring Activities. The failure to establish a proper system of internal controls enabled material misstatements or irregularities to occur and remain undetected.

*Cash and Investments*

There were no internal controls in place to ensure monthly bank reconciliations were being prepared accurately. The Clerk-Treasurer was solely responsible for recording all transactions in the ledger and preparing the bank reconciliations for the Town. There was no segregation of duties such as an oversight, review, or approval process.

*Receipts*

The Clerk-Treasurer was solely responsible for all aspects of receipting and depositing the monies of the Town. There were no internal controls in place such as oversight, review, or approval process over any of the aspects of receipting and utility collections.

*Disbursements*

The Clerk-Treasurer was solely responsible for preparing the claims, issuing, and distributing the checks, and posting disbursements to the ledger. There was no segregation of duties such as an oversight, review, or approval process.

*Financial Close and Reporting*

The Clerk-Treasurer entered and submitted 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 statement. 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.

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

*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:

"The control environment is the basic commonality for all and comprises the integrity and ethical values of the political subdivision established by the oversight body and management. The standards, processes, and structures which form the control environment pervasively impact the overall system of internal control. The oversight body and management convey leadership expectations, and overall tone which are reinforced by all officials and management throughout the various offices and departments. The control environment also contains the overall accountability structure for all employees through performance and reward measures. Within this structure, leadership demonstrates commitment to the political subdivision by having a process for attracting, developing, and retaining competent individuals. This component is static in that its underpinnings do not generally change with a given objective."

"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 tolerances 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."

"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 WINSLOW  
AUDIT RESULTS AND COMMENTS  
(Continued)

"Relevant information from both internal and external sources is necessary to support the functioning of the other components of internal control. Communication is the continual process of providing, sharing, and obtaining necessary information. Internal communication enables personnel to receive a clear message that control responsibilities are taken seriously by the organization. External communication enables relevant outside information to be internalized and internal information to be clearly communicated to external parties."

"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. . . ."

***PRESCRIBED FORMS***

*Condition and Context*

The Town did not properly maintain the prescribed form *Consumer's Ledger - Municipal Water and Sewage Utility Combined* (Utility Form No. 321) for calendar year 2019.

*Criteria*

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER  
TOWN OF WINSLOW  
EXIT CONFERENCE

The contents of this report were discussed on April 19, 2023, with Beth A. Bennett, Clerk-Treasurer; Stacy McCandless, former Clerk-Treasurer; Joni D. Stafford, President of the Town Council; Amy Barber, Town Council member; Tim Ennis, Town Council member; Kavin Gayhart, Town Council member; and Tara Baham, Deputy Clerk-Treasurer.

TOWN COUNCIL  
TOWN OF WINSLOW

TOWN COUNCIL  
TOWN OF WINSLOW  
AUDIT RESULTS AND COMMENTS

**PAYROLL EXPENSES**

*Condition and Context*

The Utilities' operating funds were used to pay for expenses related to the Town. The salaries for the Clerk-Treasurer, the Town Council, and the clerical employee were allocated equally between the Town, Water Utility, and Sewer Utility. The salaries for laborers were allocated equally between Motor Vehicle Highway, Water Utility, and Sewer Utility. Additionally, health insurance expense was split equally between the Town, Water Utility, and Sewer Utility. Documentation of the rationale behind the determination of the allocation was not presented for audit to determine if the amounts were reasonable.

*Criteria*

Expenses paid from utility funds should be directly related to the operation of the municipally owned utility. Expenditures for city and town operating costs should not be paid from utility funds. Furthermore, utility funds should not be used to pay for personal items. The cost of shared employees and equipment between a city or town and its utilities or between utilities should be prorated in a rational manner. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-11-9-4(b) states:

"The state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees:

- (1) covered by section 1 or 2 of this chapter; and
- (2) employed by more than one (1) public agency or in more than one (1) position by the same public agency described in section 1 or 2 of this chapter."

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

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employee's Service Record  
General Form 99B, Employee's Earnings Record  
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**TRAINING ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

Internal control standards had been adopted; however, training over the internal control standards had not been provided to necessary personnel as of December 31, 2020.

*Criteria*

Indiana Code 5-11-1-27(g) states in part:

"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."

TOWN COUNCIL  
TOWN OF WINSLOW  
EXIT CONFERENCE

The contents of this report were discussed on April 19, 2023, with Beth A. Bennett, Clerk-Treasurer; Stacy McCandless, former Clerk-Treasurer; Joni D. Stafford, President of the Town Council; Amy Barber, Town Council member; Tim Ennis, Town Council member; Kavin Gayhart, Town Council member; and Tara Baham, Deputy Clerk-Treasurer.