

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

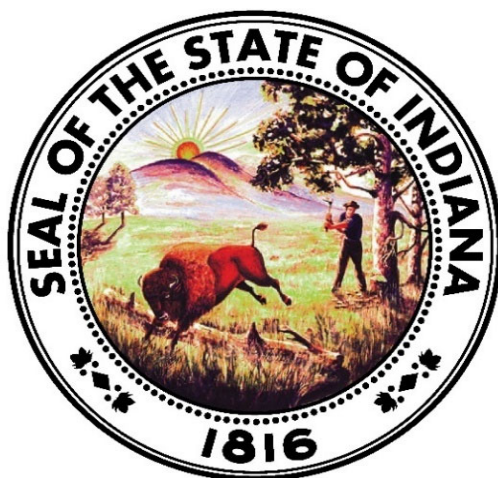
SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF CHALMERS

WHITE COUNTY, INDIANA

January 1, 2019 to December 31, 2022



FILED

05/10/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Melissa Summers	01-01-19 to 02-19-20
	(Vacant)	02-20-20 to 03-28-20
	Cynthia Keith	03-29-20 to 09-10-22
	Renee Collier	09-11-22 to 12-31-23
President of the Town Council	Marcus King	01-01-19 to 12-31-21
	Renee Collier	01-01-22 to 08-22-22
	Marcus King	08-23-22 to 12-31-22
	Kristofer Kelley	01-01-23 to 03-22-23
	Pamela Brown	03-23-23 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF CHALMERS, WHITE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Chalmers (Town), for the period from January 1, 2019 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 27, 2023

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CLERK-TREASURER
TOWN OF CHALMERS

CLERK-TREASURER
TOWN OF CHALMERS
AUDIT RESULTS AND COMMENTS

PENALTIES, INTEREST, AND OTHER CHARGES

Condition and Context

The Town did not pay all claims and remit all taxes in a timely manner, which resulted in penalties and interest being assessed. From 2015 through 2018, the Electric and Water Utilities did not pay utility receipts taxes, and for 2020 through 2022 the Town did not pay some sales tax and payroll withholding taxes (Form 941 taxes) timely, which resulted in penalties and interest being incurred as noted below.

Type	Year	Penalties	Interest	Totals
Utility Receipts Tax	2015	\$ -	\$ 73	\$ 73
Utility Receipts Tax	2016	-	506	506
Utility Receipts Tax	2017	-	477	477
Utility Receipts Tax	2018	-	225	225
Sales Tax	2020	258	5	263
Form 941 Tax	2021	303	-	303
Sales Tax	2022	365	-	365
		<u>926</u>	<u>1,286</u>	<u>2,212</u>
Totals		<u>\$ 926</u>	<u>\$ 1,286</u>	<u>\$ 2,212</u>

The penalties and interest noted above were paid during the audit period 2019-2022 from the General Fund totaling \$668, Water Utility Operating fund totaling \$291, and Electric Utl Operating fund totaling \$1,253.

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)

ELECTRIC UTILITY RATES

A similar comment appeared in the last two prior Reports B45504 and B53904.

Condition and Context

The Town did not properly bill customers for electric service during the audit period. According to Ordinance 2020-1 Amending Electric Rates, which was effective beginning with the April 2020 billing period, the Town did not bill consumers the graduated rate for the usage. The Town started billing the correct rates on the June 5, 2020 billing.

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

Additionally, the Town's electric rates were also based on the amount of electricity used by kilowatts and the cost associated with the purchase of power and energy. Because the cost of power and energy fluctuates, the Town Council adopted Ordinance No. 2008-7, Tracker Adjustment for Electric Utility (Tracker) to help in recouping the costs that were not covered by the current rate structure. The Tracker amount is adjusted every three months and is based upon the previous quarter's cost of electricity purchased. Every three months, the Town receives a report from the Indiana Municipal Power Agency informing them of the new rate for the Tracker. The Town billed consumers the wrong Tracker rate for the second quarters in 2020 and 2021.

Each governmental 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)

INTERNAL CONTROLS

A similar comment appeared in the last two prior Reports B45504 and B53904.

Condition and Context

There were deficiencies in the internal control system for the Town regarding the lack of segregation of duties related to cash and investments, receipts, payroll disbursements, and financial close and reporting. The failure to establish these internal controls could have enabled material misstatements to occur and remain undetected.

Cash and Investments

A review of the bank reconciliation by an individual other than the preparer was not documented.

Receipts

There was no segregation of duties as it relates to the Town receipts. The Clerk-Treasurer received, posted, and prepared the deposit slip, without an oversight or review process.

Payroll Disbursements

A documented review of all payroll disbursements was not performed by an individual other than the preparer. The Clerk-Treasurer and Town Council were not always reviewing and signing as documentation of approval of the claims docket.

Financial Close and Reporting

A review of year-end financial information was not documented as performed by an individual other than the preparer either before or after it was submitted into the Indiana Gateway for Government Units financial reporting system.

CLERK-TREASURER
TOWN OF CHALMERS
AUDIT RESULTS AND COMMENTS

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. . . ."

CLERK-TREASURER
TOWN OF CHALMERS
EXIT CONFERENCE

The contents of this report were discussed on April 27, 2023, with Renee Collier, Clerk-Treasurer; Pamela Brown, President of the Town Council; Marcus King, Town Council member; and Linda Allen, Town Council member.