

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ROANOKE

HUNTINGTON COUNTY, INDIANA

January 1, 2012 to December 31, 2015



FILED
12/22/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	JoAnne Kirchner	01-01-12 to 12-31-19
President of the Town Council	Troy D. Karshner David Tucker	01-01-12 to 12-31-12 01-01-13 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF ROANOKE, HUNTINGTON COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Roanoke (Town), for the period from January 1, 2012 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statements Examination Report of the Town, which provides our opinion 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 Examination 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 Examination Results and Comments, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

October 6, 2016

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CLERK-TREASURER
TOWN OF ROANOKE

CLERK-TREASURER
TOWN OF ROANOKE
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were inaccurate and incomplete during all four years of the examination period. At December 31, 2015, the adjusted bank balances exceeded the record balances by \$1,474. In addition to the unidentified amount, there were 17 identified reconciling items at December 31, 2015, that had not been corrected as of June 30, 2016. During the examination of records, \$1,574 of the unidentified amount was determined to be payroll withholding transfer errors. Therefore, the net amount of \$100 was determined to be an unidentified shortage at December 31, 2015. A similar comment appeared in prior Report B41596.

<u>Years Ended</u>	<u>Unidentified Bank Long (Short)</u>
12-31-12	\$ (11)
12-31-13	1,523
12-31-14	1,530
12-31-15	1,474

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 should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL FINANCIAL REPORT

The 2012 and 2013 Annual Financial Reports (AFR) filed by the Clerk-Treasurer did not contain the financial transactions of the Town Court and the 2014 AFR did not contain the Schedule of Expenditures of Federal Awards (SEFA). In addition, the Schedule of Receivables and Payables, and Schedule of Leases and Debt, contained incorrect information. Adjustments to the AFR were proposed to and accepted by management. The financial statements and required supplementary schedules have been corrected as presented in the Financial Statements Examination Report.

A similar comment appeared in prior Report B41596.

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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 ROANOKE
EXAMINATION RESULTS AND COMMENTS
(Continued)

PENALTIES AND INTEREST

The Town paid penalties and interest in 2014 to the Indiana Department of Revenue in the amount of \$166 as a result of not remitting Water Utility sales tax on a timely basis in 2013.

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 governmental 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 governmental unit.

Any penalties, interest, or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UTILITY RECEIPTS TAX

Utility receipts tax was underpaid by \$12,382 during the period under examination as scheduled below and the annual tax return (Form URT-1) was not prepared or filed with the Indiana Department of Revenue for the four years under examination. Only two quarterly estimates were paid during 2012 and 2015, while no estimates were paid in 2014. In addition, payments made were calculated using an incorrect percentage of 1.2 percent instead of 1.4 percent as required by the Indiana Department of Revenue.

A similar comment appeared in prior Report B41596.

Years	Estimated Utility Receipts Tax	Utility Receipts Tax Paid	Estimated Underpayment
2012	\$ 3,823	\$ 1,499	\$ 2,324
2013	4,260	3,206	1,054
2014	5,046	-	5,046
2015	6,462	2,504	3,958
Totals	\$ 19,591	\$ 7,209	\$ 12,382

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to Indiana Code 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLERK-TREASURER
TOWN OF ROANOKE
EXAMINATION RESULTS AND COMMENTS
(Continued)

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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 governmental unit.

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Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should 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 7)

ACCOUNTABLE ITEMS

Materials and supplies for the Police Department totaling \$2,702 were purchased with the Town's credit card in 2014 and 2015 and were shipped to the personal addresses of a Town employee and a Town Council member who also own businesses that sell products similar to the items purchased. Controls over these transactions were not sufficient to allow further analysis or conclusions related to these transactions.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SANITATION RATES AND CHARGES

Ordinance 2004-3 established the rates charged to customers for sanitation (trash) services. The rates actually billed by the Clerk-Treasurer to customers for sanitation services during the examination period were increased in both 2012 and 2015. The increases were not addressed in Ordinance 2004-3 nor through a subsequent amendment.

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 7)

CLERK-TREASURER
TOWN OF ROANOKE
EXAMINATION RESULTS AND COMMENTS
(Continued)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

A similar comment appeared in prior Report B41596.

Indiana Code 36-9-23-33 states in part:

"(c) Except as provided in subsection (m), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.
 - (B) A description of the premises, as shown by the records of the county auditor.
 - (C) The amount of the delinquent fees, together with the penalty.
- (2) An individual instrument for each lot or parcel of real property on which the fees are delinquent.

(d) The officer shall record a copy of each list or each individual instrument with the county recorder . . .

(f) . . . Using the lists and instruments prepared under subsection (c) and recorded under subsection (d), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (d), certify to the county auditor a list of the unpaid liens for collection with the next May installment of property taxes."

OLD OUTSTANDING CHECKS

As of December 31, 2015, there were 19 checks totaling \$3,218 that were outstanding in excess of two years. These 19 checks were considered void by statute and were to be receipted back into the fund from which they were originally drawn.

A similar comment appeared in prior Report B41596.

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void. . . ."

CLERK-TREASURER
TOWN OF ROANOKE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-10.5-3 states in part:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. . . ."

Indiana Code 5-11-10.5-5(a) states:

"Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks."

CAPITAL ASSET RECORDS

Capital asset records of the Town and Utilities were incomplete. The only capital asset record maintained was an inventory listing of equipment on hand at year end that was maintained by each department.

A similar comment appeared in prior Report B41596.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

October 7, 2016

"OFFICIAL RESPONSE"

This is in response to Town of Roanoke audit from 01/01/2012 to 12/31/2015.

Regarding Item #2, Annual Report:

The Town Court was a separate entity and did its own daily banking and annual reporting. I was not aware that the Town Court financials needed to be included in the annual report for the Town. I do not believe the Town Judge knew this either as he never provided me with those financials. I will accept that "not knowing" is not a valid excuse and it was incumbent on me to know that. The fact remains that I did not know and the Court did provide extensive year end financial reports to the State as required.

Regarding Item #3, Penalties and Interest:

As I had never been late with a monthly water tax payment before in over 21 years, when I received a penalty late notice from the State I paid it immediately so as to not accrue any more additional daily fines. However, upon further examination by the auditor, it was his determination that I was not actually late and should have contacted the State to defend my position before paying any penalties. I did not know I could contest a penalty as I had never had one before and I regret not researching the payment further.

This concludes my official comments regarding this audit.

**JoAnne Kirchner, Clerk/Treasurer
Town of Roanoke, Indiana**

A handwritten signature in black ink, appearing to read 'JoAnne Kirchner', with a long horizontal flourish extending to the right.

CLERK-TREASURER
TOWN OF ROANOKE
EXIT CONFERENCE

The contents of this report were discussed on October 6, 2016, with JoAnne Kirchner, Clerk-Treasurer, and David Tucker, President of the Town Council.

TOWN COUNCIL
TOWN OF ROANOKE

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EXAMINATION RESULTS AND COMMENTS

ACCOUNTABLE ITEMS

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Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SANITATION RATES AND CHARGES

The Town Council approved Ordinance 2004-3 in 2004 concerning the rates and charges for sanitation (trash) collections. During the examination period, the Town increased the sanitation charge to customers in 2013 and 2015. The increases in 2013 and 2015 were not addressed through ordinance adopted by Council.

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 7)

TOWN COUNCIL
TOWN OF ROANOKE
EXIT CONFERENCE

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