

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF EDGEWOOD

MADISON COUNTY, INDIANA

January 1, 2018 to December 31, 2022



FILED

09/28/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Katherine L. Tanner	01-01-18 to 12-31-23
President of the Town Council	Patricia A. Farran	01-01-18 to 12-31-23
Superintendent of Utilities	Thomas A. Brewer	01-01-18 to 12-31-23
Town Court Judge	Thomas Clem Scott Norrick	01-01-18 to 12-31-20 01-01-21 to 08-31-21*

*The Edgewood Town Court permanently closed effective August 31, 2021.



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE TOWN OF EDGEWOOD, MADISON COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Edgewood (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 the 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

September 21, 2023

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CLERK-TREASURER
TOWN OF EDGEWOOD

CLERK-TREASURER
TOWN OF EDGEWOOD
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING

A similar comment appeared in prior Report B50929, entitled *INTERNAL CONTROLS*.

Condition and Context

Cash and Investments (Bank Reconciliations)

The Town had not designed or implemented a system of internal controls, which would include appropriate segregation of duties that would likely be effective in preventing, or detecting and correcting, errors related to cash and investments, including bank reconciliations, to ensure the accuracy and completeness of the ledgers.

There was no documented review of the monthly bank reconciliations by someone other than the preparer.

Financial Close and Reporting

The Town had not designed or implemented a system of internal controls, which would include appropriate segregation of duties that would likely be effective in preventing, or detecting and correcting, errors related to financial reporting.

The financial information was prepared and electronically submitted by the Clerk-Treasurer to the Indiana Gateway for Government Units financial reporting system, which was the source of the City's financial statement. An oversight or review process had not been designed or implemented that would likely prevent, or detect and correct, errors on the financial statement.

Due to the lack of internal controls the following errors were noted:

1. In 2018, beginning and ending cash and investments balances were each understated by \$102,786, and receipts and disbursements were each understated by \$172,809.
2. The MVH Restricted fund receipts and disbursements were each understated by \$18,143 in 2019.
3. The Water Depreciation fund receipts and ending cash and investments balance were each understated by \$6,420 in 2020.
4. The Court receipts were overstated by \$142,532, disbursements were understated by \$9,337, and ending cash and investments balance was overstated \$151,869 in 2021.
5. The Court transactions were not included in 2022 resulting in the understatement of beginning cash and investments balance, disbursements, and ending cash and investments balance by \$102,786, \$13,726, and \$89,060, respectively.

Audit adjustments were proposed, accepted by the Town, and made to the financial statement presented in the Financial Statements Audit Report of the Town.

CLERK-TREASURER
TOWN OF EDGEWOOD
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:

"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. . . ."

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](#)."

ANNUAL FINANCIAL REPORT

Condition and Context

Financial, supplemental, 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 also not established effective internal controls over the AFR information entered into Gateway which resulted in the following errors:

Financial Data

1. In 2018, beginning and ending cash and investments balances were each understated by \$102,786, and receipts and disbursements were each understated by \$172,809.
2. The MVH Restricted fund receipts and disbursements were each understated by \$18,143 in 2019.
3. The Water Depreciation fund receipts and ending cash and investments balance were each understated by \$6,419 in 2020.
4. The Court receipts were overstated by \$142,532, disbursements were understated by \$9,337, and ending cash and investments balance was overstated \$151,869 in 2021.

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

5. The Court transactions were not included in 2022 resulting in the understatement of beginning cash and investments balance, disbursements, and ending cash and investments balance by \$102,786, \$13,726, and \$89,060, respectively.

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. . . ."

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CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Town certified on the Annual Financial Report, submitted on the Indiana Gateway for Government Units financial reporting system, employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the Town, had received training over internal control standards that was developed or approved by the Indiana State Board of Accounts; however, all required employees had not received the training.

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 EDGEWOOD
EXIT CONFERENCE

The contents of this report were discussed on September 21, 2023, with Katherine L. Tanner, Clerk-Treasurer; Wendy S. Wash, Deputy Clerk-Treasurer; and Patricia A. Farran, President of the Town Council.

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TOWN COUNCIL
TOWN OF EDGEWOOD

TOWN COUNCIL
TOWN OF EDGEWOOD
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

Town employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the Town, had not received training over internal control standards that was developed or approved by the Indiana State Board of Accounts.

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 EDGEWOOD
EXIT CONFERENCE

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TOWN COURT
TOWN OF EDGEWOOD

TOWN COURT
TOWN OF EDGEWOOD
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS - TOWN COURT

Condition and Context

Receipts and Disbursements

The Town had not designed or implemented a system of internal controls, which would include appropriate segregation of duties that would likely be effective in preventing, or detecting and correcting, errors related to receipts and disbursements.

There were no documented internal controls in place over the receipting or disbursing of monies by the Town Court.

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. . . ."

TOWN COURT
TOWN OF EDGEWOOD
EXIT CONFERENCE

The contents of this report were discussed on September 21, 2023, with Katherine L. Tanner, Clerk-Treasurer; Wendy S. Wash, Deputy Clerk-Treasurer; and Patricia A. Farran, President of the Town Council.