

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ORLAND

STEUBEN COUNTY, INDIANA

January 1, 2019 to December 31, 2022



FILED
12/28/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	April Sanders	01-01-19 to 12-31-23
President of the Town Council	Connie S. Booher Robin Sears	01-01-19 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 ORLAND, STEUBEN COUNTY, INDIANA

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

December 18, 2023

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CLERK-TREASURER
TOWN OF ORLAND

CLERK-TREASURER
TOWN OF ORLAND
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

A similar comment also appeared in prior Report B53932, entitled *INTERNAL CONTROLS*.

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not established an effective internal control system that separated incompatible activities related to receipts and financial close and reporting.

Receipts

The Town had not established a system of internal controls or separated incompatible activities related to receipts that would have ensured that receipts were recorded accurately. The Clerk-Treasurer collected and recorded the funds in the records without any oversight, review, or approval procedures in place to ensure their accuracy.

Financial Close and Reporting

Year-end fund reports were used to submit the information into the Indiana Gateway for Government Units financial reporting system, which is the source for the Annual Financial Reports (AFR) and financial statements. The Clerk-Treasurer submitted the AFR without any oversight, review, or approval procedures in place to ensure the accuracy of the information submitted.

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 ORLAND
AUDIT RESULTS AND COMMENTS
(Continued)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

The Town correctly posted 50 percent of its State Motor Vehicle Highway (MVH) Account distributions to the MVH Restricted sub-fund as required. The Town reduced the 2021 fiscal year distributions from the MVH Restricted sub-fund below 50 percent by transferring \$56,000 to the Community Crossings Match Grant fund. The transferred funds were used for a Town road project, and, although these expenditures were for allowable construction expenses, they should have been paid directly from the MVH Restricted fund. The transfer was not a permissible use (construction, reconstruction, preservation) of the MVH Restricted sub-fund.

Additionally, the Town correctly created an MVH and MVH Restricted sub-fund, however, failed to show them separately on the Annual Financial Report.

Criteria

Indiana Code 8-14-1-5(c) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

On the chart of accounts, the MVH Fund and MVH Restricted sub-fund shall be shown as follows:

...

Cities and Towns

Fund 201	MVH
Fund 203	MVH Restricted.

Together, MVH and MVH Restricted shall constitute the total MVH Fund. MVH and MVH Restricted will be shown separately on the Annual Financial Report.

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted.

The political subdivision, by ordinance or resolution, may elect to allocate more than fifty percent (50%) of the distributions to MVH Restricted. During the same fiscal year, the political subdivision may transfer, by ordinance or resolution, the amount allocated in excess of the 50% requirement from MVH Restricted to MVH. . . .

(State Examiner Directive 2018-2)

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

CAPITAL ASSETS

A similar comment appeared in a Management Letter addressed to the Clerk-Treasurer for the audit period ending December 31, 2018.

Condition and Context

The Town failed to complete a physical inventory of capital assets at least every two years.

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 ORLAND
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2023, with April Sanders, Clerk-Treasurer, and Robin Sears, President of the Town Council.