

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ORLEANS

ORANGE COUNTY, INDIANA

January 1, 2018 to December 31, 2022



FILED

02/13/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Annual Financial Report.....	6-7
Payroll Deficiencies.....	7-8
Motor Vehicle Highway (MVH) Restricted Fund	8
Exit Conference	9
Town Council:	
Audit Result and Comment:	
Payroll Deficiencies.....	12
Exit Conference	13

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Robert F. Henderson, Jr.	01-01-18 to 12-31-24
President of the Town Council	Michael H. Fields	01-01-18 to 12-31-19
	John H. Lindley	01-01-20 to 12-31-20
	Randy Clark	01-01-21 to 12-31-21
	John F. Noblitt	01-01-22 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE TOWN OF ORLEANS, ORANGE COUNTY, INDIANA

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

February 7, 2024

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CLERK-TREASURER
TOWN OF ORLEANS

CLERK-TREASURER
TOWN OF ORLEANS
AUDIT RESULTS AND COMMENTS

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 not established effective internal controls over the AFR information entered into Gateway. Although the Clerk-Treasurer entered the information into Gateway, and President of the Town Council reviewed the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

Due to the ineffective internal control, the AFR contained the following errors:

Grants

Federal expenditures reported on the grant schedule were misstated in the amount of \$327,406 in total during the audit period. Other errors included incorrect program names, entity identifying numbers, pass-through entity names, and programs not properly being identified as direct grants. Since the Town did not expend the requisite amount of federal dollars during any year of the audit period, a Schedule of Expenditures of Federal Awards was not required to be reported.

Accounts Payable/Accounts Receivable

A detailed listing of accounts payable and accounts receivable were not maintained by the Town; therefore, the amounts reported for the Schedule of Payables and Receivables for each year could not be verified. The Town chose to not present the Schedule of Payables and Receivables in the Financial Statements Audit Report of the Town.

Debt

Wastewater Revenue Bond outstanding principal and principal due in one year were overstated by \$235,000 and \$109,300, respectively.

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

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:

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

"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. . . ."

PAYROLL DEFICIENCIES

Condition and Context

The following deficiencies were noted for payroll disbursements:

1. A part-time employee was paid a different hourly rate than the approved rate in the Salary Ordinance adopted for 2020. The employee received an increase in hourly rate from \$9.50 per hour to \$12 per hour. The hourly rate increase began on August 21, 2020, and a retroactive payment was made to the employee based on the increased hourly rate as of July 1, 2020. No supporting documentation was made available to substantiate the retroactive payroll disbursement made on August 21, 2020.
2. The methodology for compensation during a holiday for the Town Marshal and Deputy Town Marshals had not been approved in a Salary Ordinance or Employee Handbook during the audit period.
3. Out of 18 payroll disbursements tested, 3 were not allocated properly between the Town and Utilities as required by the approved Salary Ordinances.
4. In 2021, a part-time employee was approved to become a full-time employee, but the 2021 Salary Ordinance was not amended, and no documentation of a Town Council approved rate of pay was noted in Town Council minutes.

Criteria

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

The governing body must adopt policies governing sick leave, vacation leave, and any other types of paid leave. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Each 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)

MOTOR VEHICLE HIGHWAY (MVH) RESTRICTED FUND

Condition and Context

The following deficiencies were noted for the Motor Vehicle Highway (MVH) Restricted Fund:

1. The Town created the Motor Vehicle Highway Restricted fund (MVH Restricted Fund) as required; however, in 2021 and 2022 the Town did not allocate the required 50 percent of the State Motor Vehicle Highway (MVH) distributions to the MVH Restricted Fund. Seven distributions during the two years were incorrectly posted entirely into the Motor Vehicle Highway fund, however, \$25,572 should have been posted to the MVH Restricted Fund.
2. A review of disbursements paid from the MVH Restricted Fund showed that in 2021 and 2022 payroll-related expenses in the amount of \$23,784 were paid. There was a lack of supporting documentation to determine if all payroll-related expenses paid from the MVH Restricted Fund were for construction, reconstruction, or preservation of the Towns highways.

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."

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. (State Examiner Directive 2018-2)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must 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 1)

CLERK-TREASURER
TOWN OF ORLEANS
EXIT CONFERENCE

The contents of this report were discussed on February 7, 2024, with Robert F. Henderson, Jr., Clerk-Treasurer; John F. Noblitt, President of the Town Council; and Randy Clark, Town Council member.

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TOWN COUNCIL
TOWN OF ORLEANS

TOWN COUNCIL
TOWN OF ORLEANS
AUDIT RESULT AND COMMENT

PAYROLL DEFICIENCIES

Condition and Context

The following deficiencies were noted for payroll disbursements:

1. A part-time employee was paid a different hourly rate than the rate in the Salary Ordinance adopted for 2020. The employee received an increase in hourly rate from \$9.50 per hour to \$12 per hour and the 2020 Salary Ordinance was not amended to reflect the increase. The hourly rate increase began on August 21, 2020, and a retroactive payment was made to the employee based on the increased hourly rate as of July 1, 2020. No supporting documentation was made available to substantiate the retroactive payroll disbursement made on August 21, 2020.
2. The methodology for compensation during a holiday for the Town Marshal and Deputy Town Marshals had not been approved in a Salary Ordinance or Employee Handbook during the audit period.
3. Out of 18 payroll disbursements tested, 3 were not allocated properly between the Town and Utilities as required by the approved Salary Ordinances.
4. In 2021, a part-time employee was approved to become a full-time employee, but the 2021 Salary Ordinance was not amended, and no documentation of a Town Council approved rate of pay was noted in Town Council minutes.

Criteria

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

The governing body must adopt policies governing sick leave, vacation leave, and any other types of paid leave. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Each 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)

TOWN COUNCIL
TOWN OF ORLEANS
EXIT CONFERENCE

The contents of this report were discussed on February 7, 2024, with Robert F. Henderson, Jr., Clerk-Treasurer; John F. Noblitt, President of the Town Council; and Randy Clark, Town Council member.