

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

COMPLIANCE ENGAGEMENT REPORT

OF

TOWN OF RICHLAND

SPENCER COUNTY, INDIANA

January 1, 2019 to December 31, 2023



FILED
05/15/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Compliance Report	3-4
Comments	5-6
Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis.....	9-11

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Morgan Jones (Vacant) Jenifer Schneider	01-01-19 to 04-01-20 04-02-20 to 04-09-20 04-10-20 to 12-31-23
President of the Town Council	Dan Kincaid	01-01-19 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF RICHLAND, SPENCER COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Town of Richland (Town), for the period of January 1, 2019 to December 31, 2023. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the Town as this engagement was not conducted in accordance with any standards established by an authoritative standard setting body, and, as such, we do not provide any opinions on compliance or financial activity.

Management is responsible for preparing and maintaining its accounting records and related documents in accordance with applicable Indiana laws, regulations, and Guidelines. Management's responsibility also includes, but is not limited to, complying with other applicable Indiana laws, regulations, and Guidelines concerning how it operates: authorized sources and uses of funds; what reports are required to be prepared and filed; and what depositories and investment types are allowable.

We fulfilled our responsibility as detailed in the first paragraph, using procedures that verified the appropriate accounting for and reporting of cash, receipts, and disbursements; and the appropriate sources and uses of funds in accordance with applicable Indiana laws, regulations, and Guidelines. Expanding the scope and nature of these procedures can and does occur in specific circumstances.

The Comments contained herein, if any, describe the identified reportable instances of noncompliance found during our engagement. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified. Any Official Response to the Comments incorporated within this report was not verified for accuracy.

The Schedule of Officials and Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Statements) are informational only. The Statements have not been subjected to any procedures designed to express an opinion or provide any assurance on them, and, accordingly, we do not express an opinion or provide any assurance on them.

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record. Reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>, and the Town's Annual Financial Reports filed by management can be found on the Indiana Gateway for Government Units financial reporting system website: <http://www.gateway.ifionline.org>.

The contents of this report were communicated to, Ellen Sarver, Town Council member; Chad Schneider, Town Council member; and Jenifer Schneider, Clerk-Treasurer, on May 13, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

April 10, 2024

TOWN OF RICHLAND
COMMENTS

INTERNAL CONTROLS

Condition and Context

Internal control deficiencies resulted in noncompliance over the annual financial report - other information, timely recordkeeping, and contracts, detailed further in the review comments below.

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. . . ."

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

Financial 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 following information reported in Gateway was inaccurate.

- The Town reported Accounts Payable and Accounts Receivable for all years except 2021. In 2019, 2022, and 2023, the Town reported the total receipts and disbursements for the year as payables and receivables.
- The Town reported \$99,600, \$158,600, \$86,594, \$81,985, and \$72,981 in capital assets as of December 31, 2019, 2020, 2021, 2022, and 2023, respectively, in its AFR. The Town had maintained a capital asset ledger which reflected \$152,790, \$152,790, \$174,690, \$176,090, and \$94,090 in 2019, 2020, 2021, 2022, and 2023, respectively.

Criteria

The Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not later than sixty (60) days after the close of each fiscal year. (Accounting and Uniform Guidelines Compliance Manual for Cities and Towns, Chapter 1)

TOWN OF RICHLAND
COMMENTS
(Continued)

TIMELY RECORDKEEPING

Condition and Context

The Town did not post the receipts received from state and local distributions timely during the engagement period. Of 10 receipts tested, 4 from property taxes were not receipted timely. In December 2019, 1 receipt from local income taxes was received, however, was not posted until March 2023. Of 174 receipts tested from state sources, 1 was not posted timely.

In addition, there were 19 receipts of 304 tested which were incorrectly posted to various funds. The net result of all posting errors from these receipts was \$0. However, the General fund was overstated by \$7,275, the Economic Development Income Tax (EDIT) fund was understated by \$5,999, the Local Roads & Streets (LRS) fund was understated by \$4, the Motor Vehicle Highway (MVH) fund was understated by \$29,202, and the Motor Vehicle Highway - Restricted (MVH-R) was overstated by \$27,930.

All 9 of the receipts tested for property taxes included funds for the MVH and were split 50 percent to the MVH and the MVH-R funds without an ordinance or resolution that authorized the additional funds in the MVH-R fund. This resulted in \$27,930 posted to the MVH-R which should have been recorded in the MVH.

Criteria

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CONTRACTS

Condition and Context

The Town entered into contracts, which were approved in the Town Council minutes during the engagement period; however, the Town did not provide a signed contract for review.

Criteria

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 support may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS

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TOWN OF RICHLAND
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2019 and 2020

Fund	Cash and Investments 01-01-19	Receipts	Disbursements	Cash and Investments 12-31-19	Receipts	Disbursements	Cash and Investments 12-31-20
GENERAL FUND	\$ 113,327	\$ 57,586	\$ 91,092	\$ 79,821	\$ 135,203	\$ 101,121	\$ 113,903
MVH	34,021	10,724	219	44,526	13,590	-	58,116
LOCAL ROAD & STREET	9,372	3,449	705	12,116	3,644	-	15,760
MVH-RESTRICTED	21,242	12,348	29,131	4,459	18,842	-	23,301
RIVERBOAT	3,782	2,518	2,046	4,254	-	2,384	1,870
CCI CUM CAP IMP - CIG TAX	2,461	502	-	2,963	922	1,200	2,685
DONATION	1,475	-	1,296	179	1,485	675	989
PROPERTY MAINTENANCE	1,875	160	-	2,035	950	-	2,985
LOIT - PUBLIC SAFETY	6,741	-	3,725	3,016	-	707	2,309
GRANTS - COMMUNITY CROSSING	730	116,992	116,992	730	-	-	730
CCD CUM CAP DEVELOPMENT	-	686	-	686	2,967	-	3,653
CEDIT	79,235	22,854	31,636	70,453	32,384	60,000	42,837
Totals	<u>\$ 274,261</u>	<u>\$ 227,819</u>	<u>\$ 276,842</u>	<u>\$ 225,238</u>	<u>\$ 209,987</u>	<u>\$ 166,087</u>	<u>\$ 269,138</u>

TOWN OF RICHLAND
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2021 and 2022

Fund	Cash and Investments 01-01-21	Receipts	Disbursements	Cash and Investments 12-31-21	Receipts	Disbursements	Cash and Investments 12-31-22
GENERAL FUND	\$ 113,903	\$ 96,113	\$ 108,029	\$ 101,987	\$ 63,996	\$ 101,240	\$ 64,743
MOTOR VEHICLE HIGHWAY (MVH)	58,116	13,366	-	71,482	13,379	-	84,861
LOCAL ROAD & STREET	15,760	3,621	718	18,663	4,504	651	22,516
MVH-RESTRICTED (subfund of Motor Vehicle Highway)	23,301	13,366	-	36,667	11,865	-	48,532
RIVERBOAT	1,870	5,032	1,500	5,402	2,268	3,000	4,670
GRANT - SPENCER CO PARKS & REC	-	2,000	2,000	-	-	-	-
OPIOID SETTLEMENT RESTRICTED	-	-	-	-	433	-	433
OPIOID SETTLEMENT UNRESTRICTED	-	-	-	-	1,011	-	1,011
CCI CUM CAP IMP - CIG TAX	2,685	430	-	3,115	1,175	-	4,290
CCD CUM CAP DEVELOPMENT	3,653	3,827	2,000	5,480	2,268	-	7,748
ARP CORONAVIRUS LOCAL FISCAL RECOVERY FUND	-	44,139	-	44,139	44,473	65,288	23,324
DONATION	989	500	808	681	750	616	815
PROPERTY MAINTENANCE	2,985	2,240	940	4,285	2,710	1,800	5,195
LOIT - PUBLIC SAFETY	2,309	-	2,309	-	-	-	-
GRANTS - COMMUNITY CROSSING	730	-	-	730	-	-	730
LEASE RENTAL PAYMENT	-	2,900	-	2,900	4,043	1,700	5,243
CEDIT	42,837	28,356	24,999	46,194	26,432	4,596	68,030
Totals	<u>\$ 269,138</u>	<u>\$ 215,890</u>	<u>\$ 143,303</u>	<u>\$ 341,725</u>	<u>\$ 179,307</u>	<u>\$ 178,891</u>	<u>\$ 342,141</u>

TOWN OF RICHLAND
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2023

Fund	Cash and Investments 01-01-23	Receipts	Disbursements	Cash and Investments 12-31-23
GENERAL FUND	\$ 64,743	\$ 131,557	\$ 105,713	\$ 90,587
MOTOR VEHICLE HIGHWAY (MVH)	84,861	14,293	-	99,154
LOCAL ROAD & STREET	22,516	4,303	3,000	23,819
MVH-RESTRICTED (subfund of Motor Vehicle Highway)	48,532	14,293	-	62,825
RIVERBOAT	4,670	2,268	2,995	3,943
GRANT - SPENCER CO PARKS & REC	-	2,600	2,045	555
OPIOID SETTLEMENT UNRESTRICTED	433	78	-	511
CCI CUM CAP IMP - CIG TAX	4,290	731	2,500	2,521
CCD CUM CAP DEVELOPMENT	7,748	4,476	-	12,224
ARP CORONAVIRUS LOCAL FISCAL RECOVERY FUND	23,324	-	19,777	3,547
OPIOID SETTLEMENT RESTRICTED	1,011	227	1,238	-
DONATION	815	375	204	986
PROPERTY MAINTENANCE	5,195	1,255	4,267	2,183
GRANTS - COMMUNITY CROSSING	730	-	-	730
LEASE RENTAL PAYMENT	5,243	5,543	1,101	9,685
CEDIT	68,030	24,349	24,990	67,389
Totals	<u>\$ 342,141</u>	<u>\$ 206,348</u>	<u>\$ 167,830</u>	<u>\$ 380,659</u>