

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

COMPLIANCE ENGAGEMENT REPORT

OF

TOWN OF CENTER POINT

CLAY COUNTY, INDIANA

January 1, 2019 to December 31, 2022



FILED

04/29/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Compliance Report	3-4
Comments	5-8

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Roger Cambell (deceased) Charlotte Reyher (interim) Kathy Harshbarger Conrad Koehler	01-01-19 to 04-09-19 04-10-19 to 12-31-19 01-01-20 to 12-31-23 01-01-24 to 12-31-24
President of the Town Council	Roy Smith	01-01-19 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 CENTER POINT, CLAY 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 Center Point (Town), for the period of January 1, 2019 to December 31, 2022. 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 is informational only. The Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis have not been included in this report due to the issues detailed in the Comments below.

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 Conrad Koehler, Clerk-Treasurer, and Kevin McCrea, Town Council member, on April 25, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

April 17, 2024

TOWN OF CENTER POINT
COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

Internal controls were not in place to ensure the Town's Annual Financial Reports (AFR) submitted on the Indiana Gateway for Government Units financial reporting system were correct. The cash and investment balance at December 31, 2018, did not agree to the cash and investments reported at January 1, 2019, as follows:

Fund Name	Cash and Investments 12-31-18	Cash and Investments 01-01-19	Difference
General	\$ 74,893	\$ 77,418	\$ (2,525)

The cash and investment balances as reported on the AFR at December 31, 2020, did not agree to the cash and investments balance reported at January 1, 2021, for the following funds:

Fund Name	Cash and Investments 12-31-20	Cash and Investments 01-01-21	Difference
General	\$ 75,323	\$ 83,132	\$ (7,809)
Motor Vehicle Highway	62,188	67,546	(5,358)
Local Road and Street	17,831	9,832	7,999
Main Street Project	14,857	8,543	6,314
Loit-Public Safety	9,761	5,198	4,563
Due to Sewer	-	2,358	(2,358)
Water Utility-Operating	181,883	281,917	(100,034)
Wastewater Utility-Operating	29,416	10,910	18,506
Wastewater Utility-Deprec/Improve	24,858	8,007	16,851
Jack Rentschler Fund	-	30,000	(30,000)

Criteria

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

"The state examiner shall require from every audited 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:

TOWN OF CENTER POINT
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. . . ."

BANK ACCOUNT RECONCILIATIONS

Condition and Context

Internal controls were not in place to ensure the monthly bank reconciliations performed by the Town were properly reconciled. Differences between the reconciled bank balances and the amounts reported in the Annual Financial Reports on the Indiana Gateway for Government Units financial reporting system and the Town's ledger as follows:

Annual Financial Report Date	Reconciled Bank Accounts	Annual Financial Report (AFR)	Difference	Town's Ledger	AFR and Ledger Difference
12-31-19	\$ 681,390	\$ 681,431	\$ (41)	\$ 832,169	\$ 150,738
12-31-20	770,925	682,278	88,647	760,164	77,886
01-01-21	770,925	773,604	(2,679)	760,164	(13,440)
12-31-21	820,236	815,313	4,923	817,098	1,785
12-31-22	934,404	939,882	(5,478)	917,505	(22,377)

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."

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.

TOWN OF CENTER POINT
COMMENTS
(Continued)

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. . . ."

ORDINANCES AND RESOLUTIONS

Condition and Context

Internal controls were not in place to ensure utility customers were properly billed. There were 20 customer monthly bills that were selected to recalculate using Ordinance No. 17-2016, 7-2008, and Title V of the Code of Ordinances for the Town. No other ordinances were provided by the Town officials. Out of the 20 accounts tested, 17 had variances ranging from \$2 undercharge to \$22 overcharge.

Criteria

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)

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. . . ."

MOTER VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

Internal controls were not in place to ensure the Town properly reported the MVH Restricted fund. The Town had the MVH Restricted fund subaccount in its ledger; however, it was combined with the MVH fund when reported in the Annual Financial Report on the Indiana Gateway for Government Units financial reporting system.

TOWN OF CENTER POINT
COMMENTS
(Continued)

Criteria

Together, MVH and MVH Restricted shall constitute the total MVH Fund. MVH and MVH Restricted will be shown separately on the Annual Financial Report and Annual Operational Report. (State Examiner Directive 2018-2)

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. . . ."

ADOPTION OF INTERNAL CONTROL STANDARDS

Condition and Context

The Town either had not adopted or failed to provide the ordinance that adopted the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts.

Criteria

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."