

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

COMPLIANCE ENGAGEMENT REPORT

OF

TOWN OF COUNTRY CLUB HEIGHTS

MADISON COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED

09/10/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jack Robinson	01-01-20 to 12-31-24
President of the Town Council	Stephen D. Servies	01-01-20 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE TOWN OF COUNTRY CLUB HEIGHTS, MADISON 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 Country Club Heights (Town) for the period of January 1, 2020 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 has 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 Jack Robinson, Clerk-Treasurer, on August 22, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

July 22, 2024

TOWN OF COUNTRY CLUB HEIGHTS
COMMENTS

FUND SOURCES AND USES

A similar comment also appeared in prior Report B55231, entitled *MOTOR VEHICLE HIGHWAY FUNDS* and *ANNUAL FINANCIAL REPORT*.

Condition and Context

Internal controls were not in place to ensure the Town created and used funds as required.

During the engagement period, MVH distributions received were recorded in the incorrect funds. MVH distributions are to be split, with 50 percent being receipted into the MVH fund and 50 percent being receipted into the MVH Restricted fund. The MVH Restricted Fund was not created, and the funds that were supposed to be receipted into this Fund were receipted into the General Fund. For the four-year engagement period, \$7,748 should have been receipted into the MVH Restricted fund.

Additionally, the Town did not create a Local Road and Street (LRS) Fund or the Cumulative Capital Improvement (CCI) Fund to receipt the LRS and the Cigarette Tax CCI distributions, respectively. The \$6,482 received for LRS distributions and \$689 received for CCI Cigarette tax were receipted into the General fund.

Criteria

Indiana Code 8-14-1-5(c) states: "Except as provided in subsection (d), 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."

The purpose of this Directive is to authorize and require counties, cities, and towns that receive distributions from the State Motor Vehicle Highway Account to **create a new sub-fund within the MVH Fund** to properly manage and account for the usage restrictions that were included in House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018.

The sub-fund will be referred to throughout this Directive as "MVH Restricted" and will be used to account for MVH monies which have been statutorily restricted for construction, reconstruction, and preservation purposes. . . .

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)

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/resolution, or grant agreement. (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:

TOWN OF COUNTRY CLUB HEIGHTS
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. . . ."

CERTIFICATION AND ADOPTION OF INTERNAL CONTROL STANDARDS

A similar comment also appeared in prior Report B55231, entitled *ADOPTION OF AND TRAINING ON INTERNAL CONTROL STANDARDS*.

Condition and Context

The Township certified on the Indiana Gateway for Government Units financial reporting system that it had adopted the minimum internal control standards, as required by Indiana Code 5-11-1-27(e); however, there was no evidence that the Township had adopted the minimum internal control standards.

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."

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:

TOWN OF COUNTRY CLUB HEIGHTS
COMMENTS
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STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS

TOWN OF COUNTRY CLUB HEIGHTS
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2020 and 2021

Fund	Cash and Investments 01-01-20	Receipts	Disbursements	Cash and Investments 12-31-20	Receipts	Disbursements	Cash and Investments 12-31-21
General	\$ 64,845	\$ 56,008	\$ 37,054	\$ 83,799	\$ 133,110	\$ 142,870	\$ 74,039
MVH	-	3,200	2,500	700	1,657	-	2,357
Totals	<u>\$ 64,845</u>	<u>\$ 59,208</u>	<u>\$ 39,554</u>	<u>\$ 84,499</u>	<u>\$ 134,767</u>	<u>\$ 142,870</u>	<u>\$ 76,396</u>

TOWN OF COUNTRY CLUB HEIGHTS
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2022 and 2023

Fund	Cash and Investments 01-01-22	Receipts	Disbursements	Cash and Investments 12-31-22	Receipts	Disbursements	Cash and Investments 12-31-23
General	\$ 74,038	\$ 64,266	\$ 35,494	\$ 102,810	\$ 68,741	\$ 37,304	\$ 134,247
MVH	<u>2,357</u>	<u>1,927</u>	<u>-</u>	<u>4,284</u>	<u>2,110</u>	<u>-</u>	<u>6,394</u>
Totals	<u>\$ 76,395</u>	<u>\$ 66,193</u>	<u>\$ 35,494</u>	<u>\$ 107,094</u>	<u>\$ 70,851</u>	<u>\$ 37,304</u>	<u>\$ 140,641</u>