

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ROYAL CENTER

CASS COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED
11/12/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Katie Collins Carrie McIntire	01-01-20 to 12-31-23 01-01-24 to 12-31-24
President of the Town Council	Berthold Stover Brandon Schmaltz	01-01-20 to 12-31-22 01-01-23 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 ROYAL CENTER, CASS COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Royal Center (Town), for the period from January 1, 2020 to December 31, 2023. 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 Statement Audit Report of the Town, which provides our opinions on the Town's financial statement. 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.

A handwritten signature in blue ink that reads "Beth Kelley".

Beth Kelley, CPA, CFE
Deputy State Examiner

October 23, 2024

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CLERK-TREASURER
TOWN OF ROYAL CENTER

CLERK-TREASURER
TOWN OF ROYAL CENTER
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

A similar comment appeared in prior Report B55305 and Report B55329, entitled *INTERNAL CONTROLS*.

Condition and Context

There were deficiencies in the internal control system of the Town related to receipts.

The Town had not designed or implemented a system of internal controls to ensure compliance with receipts. One employee was responsible for recording receipts to the financial ledger for the Town. There was no documentation of an internal control in place, such as a review, oversight, or approval process, to ensure the receipts were properly recorded.

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

Other information is 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 other information entered into Gateway, which resulted in the following errors:

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

Capital Assets

The capital asset information reported in Gateway was not properly supported by the Town's records. The Town was not able to provide details for the capital assets reported for 2020, 2021, or 2022. For 2023, the Town provided a capital asset listing but was not able to provide details supporting the beginning balances of \$413,360 in Infrastructure and \$823,224 in Sewer Improvements Other Than Buildings. Additionally, the Town expended \$3,494,596 on the Wastewater Improvements LTCP Phase II Project in 2019 that was not reported in the capital asset information. The Town opted not to present the Schedule of Capital Assets in the Financial Statements Audit Report of the Town.

Debt

The debt information reported in Gateway for 2020, 2021, and 2022 was not accurate. The Town did not report the Sewage Works Revenue Bond 2019A and Sewage Works Revenue Bonds 2019B on its AFR in 2020 through 2022, but did report it in 2023.

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:

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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 as set forth in the uniform compliance guidelines. 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](#)."

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

CAPITAL ASSETS

A similar comment also appeared in a Management Letter communicating noncompliance issued on May 19, 2020.

Condition and Context

The Town had not established effective internal controls to ensure compliance with applicable laws and regulations. The Town was not able to provide a detailed listing of assets for 2020, 2021 and 2022. For 2023, the Town provided a capital asset listing but was not able to provide details supporting the beginning balances of \$413,360 in Town Infrastructure and \$823,224 in Sewer Improvements Other Than Buildings. Additionally, the Town expended \$3,494,596 on the Wastewater Improvements LTCP Phase II Project in 2019 that was not included in the capital asset listing.

The Town was not able to provide evidence that a physical inventory had been taken 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)

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:

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CLERK-TREASURER
TOWN OF ROYAL CENTER
EXIT CONFERENCE

The contents of this report were discussed on October 23, 2023, with Carrie McIntire, Clerk-Treasurer, and Brandon Schmaltz, President of the Town Council.