

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

**Paul D. Joyce, CPA
State Examiner**

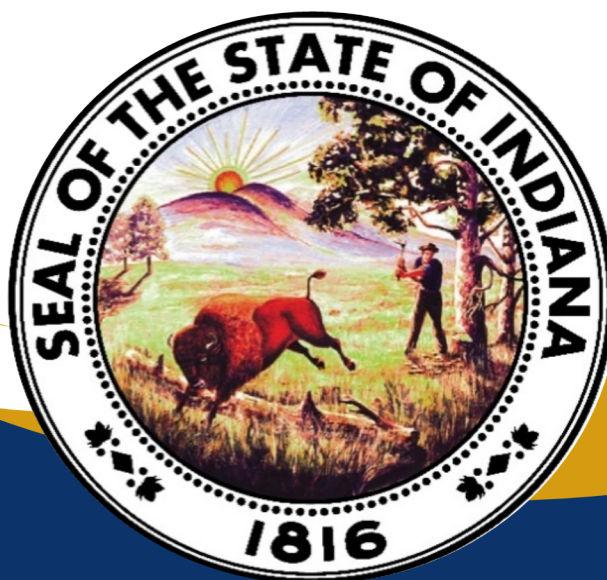
COMPLIANCE ENGAGEMENT REPORT

OF

TOWN OF ROSELAND

ST. JOSEPH COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED

12/02/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Robin Ackerson Shane Williams-Inez Ann Rulli	01-01-20 to 12-31-23 01-01-24 to 09-28-24 09-29-24 to 12-31-24
President of the Town Council	Elizabeth McCombs Michael Schalk	01-01-20 to 12-31-23 01-01-24 to 12-31-24



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INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE TOWN OF ROSELAND, ST. JOSEPH 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 Roseland (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 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 Robin Ackerson, former Clerk-Treasurer; Ann Rulli, Clerk-Treasurer; Michael Schalk, President of the Town Council; and Ryan Catanzarite, Town Council member, on November 15, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

November 5, 2024

TOWN OF ROSELAND
COMMENTS

ANNUAL FINANCIAL REPORT

A similar comment also appeared in prior Reports B49432 and B56373, entitled *INTERNAL CONTROLS*.

Condition and Context

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units (Gateway) financial reporting system. The Clerk-Treasurer entered the Town's financial information into Gateway; however, this process was completed without a documented oversight, review, or approval process to ensure its accuracy. The AFR for the period ending December 31, 2023, was filed 41 days after the respective due date. The financial information, grant information, and capital assets contained the following errors:

Financial Information

- The Playground Donations Fund was created in 2023 and was not reported in the 2023 AFR, which understated receipts, disbursements, and ending cash and investment balances by \$7,652, \$1,622, and \$6,030, respectively.
- In 2023, the Motor Vehicle Highway fund disbursements were understated by \$1,246, and the ending cash and investments balance was overstated by \$1,246.

Grant Information

- In 2021, the Town overstated the Amount of Insurance in effect during the year by \$100,000 for both grants, the Coronavirus Relief fund and Coronavirus State and the Local Fiscal Recovery funds.
- In 2022, the Town overstated the Amount of Insurance in effect during the year by \$1,000,000 for the grant, Coronavirus State and Local Fiscal Recovery Funds, and overstated the amount passed through to subrecipients by \$72,339.

Adjustments to financial information were proposed, accepted by the Town, and made to the financial statements presented in this report, and the financial and grant information in the AFR.

Capital Assets

The Town was unable to provide a detailed capital asset record to support the capital asset amounts reported in the AFR.

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:

TOWN OF ROSELAND
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. . . ."

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)

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](#)."

INTERNAL CONTROLS

Condition and Context

Internal control deficiencies resulted in the noncompliance over:

- Supporting Documentation
- Bank Account Reconciliations
- Fund Sources and Uses - CEDIT Transfers
- Monthly and Annual Uploads
- Capital Assets
- Subsequent Events

These internal control deficiencies are further detailed in the comments below.

Criteria

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TOWN OF ROSELAND
COMMENTS
(Continued)

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SUPPORTING DOCUMENTATION

Condition and Context

Of 20 disbursement claims tested, the Town could not provide supporting documentation for 3 of the claims.

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 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)

BANK ACCOUNT RECONCILIATIONS

Condition and Context

In a test performed on ten monthly bank reconciliations, three were not completed timely. For the three untimely reconciliations, reconciliation were completed from six to nine months after month end.

On the Town's bank account reconciliations for December 31, 2023, an unknown reconciling item of \$601 was listed. The Town was unable to provide any documentation to support the reconciling item, which resulted in the bank balance exceeding the fund ledger balance.

Criteria

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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN OF ROSELAND
COMMENTS
(Continued)

FUND SOURCES AND USES - CEDIT TRANSFERS

Condition and Context

Indiana Code 6-3.6-10-2 outlines the allowable uses of County Economic Development Income Tax (CEDIT). The Town annually transferred funds from the CEDIT fund to the General Fund and the Motor Vehicle Highway fund, which was not in compliance with laws and regulations. In total, \$366,000 was transferred out of the CEDIT fund over the engagement period. This is not an allowable use of CEDIT funds per Indiana Code.

Criteria

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)

Indiana Code 6-3.6-9.5(a) states:

"The executive of a county, city, or town may:

- (1) adopt a capital improvement plan specifying the uses of the additional revenue to be allocated for economic development purposes; or
- (2) designate the county or a city or town in the county as the recipient of all or a part of its share of the additional revenue that is distributed to it for economic development purposes."

Indiana Code 6-3.6-10-2 states:

"A county, city, or town may use revenue allocated for economic development purposes under [IC 6-3.6-6-9](#) for any combination of the following purposes:

- (1) To pay all or a part of the interest owed by a private developer or user on a loan extended by a financial institution or other lender to the developer or user if the proceeds of the loan are or are to be used to finance an economic development project.
- (2) For the retirement of bonds for economic development projects.
- (3) For leases or for leases or bonds entered into or issued before the date the county economic development income tax ([IC 6-3.5-7](#) repealed) was imposed if the purpose of the lease or bonds would have qualified as a purpose under this article at the time the lease was entered into or the bonds were issued.
- (4) The construction or acquisition of, or remedial action with respect to, a capital project for which the unit is empowered to issue general obligation bonds or establish a fund under any statute listed in [IC 6-1.1-18.5-9.8](#).
- (5) The retirement of bonds issued under any provision of Indiana law for a capital project.
- (6) The payment of lease rentals under any statute for a capital project.
- (7) Contract payments to a nonprofit corporation whose primary corporate purpose is to assist government in planning and implementing economic development projects.

TOWN OF ROSELAND
COMMENTS
(Continued)

- (8) Operating expenses of a governmental entity that plans or implements economic development projects.
- (9) Funding of a revolving fund established under [IC 5-1-14-14](#).
- (10) For a regional venture capital fund or a local venture capital fund.
- (11) For any lawful purpose for which money in any of its other funds may be used."

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The files and governmental unit information that are required to be uploaded monthly include the bank reconcilements, approved Town Council minutes, and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

Annual upload requirements include the year-end bank statement, year-end outstanding check list, year-end investments, detail of receipt activity, detail of disbursement activity, current year salary ordinance, and an annual vendor history report.

The Town did not comply with the State Examiner Directive. The following files were not uploaded on the Indiana Gateway for Government Units financial reporting system as required:

- Bank statement, bank reconciliation, and fund ledger for December 2023.
- Any of the required annual files for 2023.
- Any of the required monthly files for 2024.

Criteria

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)

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

CAPITAL ASSETS

Condition and Context

The Town was unable to provide a detailed capital asset record to support the capital assets reported in the Annual Financial Report on the Indiana Gateway for Government Units financial reporting system. Furthermore, we could not determine if a complete physical inventory was taken annually as required per the Town's policy.

TOWN OF ROSELAND
COMMENTS
(Continued)

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)

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)

SUBSEQUENT EVENTS

A similar comment also appeared in prior Report B56373, entitled *ERRORS ON CLAIMS*.

Condition and Context

As of October 2024, the Town did not keep record of any 2024 Town Council (Council) meeting minutes. We were unable to determine if claim dockets were presented at Council meetings for Council approval, and, therefore, checks were being drawn against the funds without proper approval.

Criteria

Indiana Code 5-14-1.5-4 states in part:

". . . (b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under section 3.5 of 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication.

(c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless . . . :

TOWN OF ROSELAND
COMMENTS
(Continued)

- (1) There is a fully itemized invoice or bill for the claim;
- (2) The invoice or bill is approved by the officer or person receiving the goods and services;
- (3) The invoice or bill is filed with the governmental entity's fiscal officer;
- (4) The fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) Payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."



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

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

Fund	Cash and Investments			Cash and Investments			Cash and Investments
	01-01-20	Receipts	Disbursements	12-31-20	Receipts	Disbursements	
GENERAL FUND	\$ 54,528	\$ 645,159	\$ 578,970	\$ 120,717	\$ 489,866	\$ 530,689	\$ 79,894
MOTOR VEHICLE HIGHWAY	4,331	60,167	59,570	4,928	85,839	67,483	23,284
LOCAL ROAD & STREET	6,222	12,451	4,000	14,673	13,549	4,000	24,222
MVH RESTRICTED	13,558	11,957	-	25,515	46,638	-	72,153
CARES IFA	-	20,536	20,536	-	2,054	2,054	-
LOCAL LAW ENF CONT ED	888	917	1,089	716	1,227	-	1,943
RIVERBOAT	8,112	3,732	10,135	1,709	3,728	-	5,437
PARK & RECREATION	46,432	-	46,432	-	-	-	-
RAINY DAY	986	-	-	986	-	-	986
LOIT SPECIAL DISTRIBUTION	50,383	-	-	50,383	-	-	50,383
LOCAL MAJOR MOVES CONSTRUCTION	81,015	-	-	81,015	-	-	81,015
CUM CAP IMP - CIG TAX	3,228	1,366	3,756	838	2,294	2,110	1,022
CUM CAP DEVELOPMENT	30,464	20,583	-	51,047	20,212	-	71,259
ARP CORONAVIRUS LOCAL FISCAL RECOVERY GRANT	-	-	-	-	71,796	-	71,796
REDEVELOPMENT COMMISSION	(10,135)	10,135	-	-	-	-	-
CEDIT	64,295	122,703	98,472	88,526	158,849	100,789	146,586
LOIT - PUBLIC SAFETY	19,406	39,427	4,002	54,831	36,472	2,566	88,737
PICNIC DONATION	4,445	1,000	-	5,445	1,500	-	6,945
POLICE DONATION	5,729	3,200	2,643	6,286	2,700	1,320	7,666
POLICE EVIDENCE	12,194	-	-	12,194	-	-	12,194
PAYROLL	(59,355)	433,773	374,417	1	397,023	397,080	(56)
Totals	\$ 336,726	\$ 1,387,106	\$ 1,204,022	\$ 519,810	\$ 1,333,747	\$ 1,108,091	\$ 745,466

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

Fund	Cash and Investments			Cash and Investments			Cash and
	01-01-22	Receipts	Disbursements	12-31-22	Receipts	Disbursements	Investments
							12-31-23
GENERAL FUND	\$ 79,894	\$ 598,030	\$ 569,056	\$ 108,868	\$ 728,168	\$ 685,823	\$ 151,213
MOTOR VEHICLE HIGHWAY	23,284	62,133	72,975	12,442	72,126	73,572	10,996
LOCAL ROAD & STREET	24,222	15,853	25,000	15,075	17,087	-	32,162
MVH RESTRICTED	72,153	23,751	-	95,904	18,390	-	114,294
LOCAL LAW ENF CONT ED	1,943	1,525	3,263	205	1,522	530	1,197
RIVERBOAT	5,437	4,807	10,240	4	4,802	4,000	806
RAINY DAY	986	15	433	568	-	-	568
LOIT SPECIAL DISTRIBUTION	50,383	-	-	50,383	-	-	50,383
Opioid Settlement - Unrestricted	-	456	-	456	81	-	537
Opioid Settlement - Restricted	-	1,063	-	1,063	238	238	1,063
LOCAL MAJOR MOVES CONSTRUCTION	81,015	-	-	81,015	-	-	81,015
CUM CAP IMP - CIG TAX	1,022	1,550	263	2,309	1,550	-	3,859
CUM CAP DEVELOPMENT	71,259	18,867	-	90,126	22,439	-	112,565
ARP CORONAVIRUS LOCAL FISCAL RECOVERY GRANT	71,796	72,339	-	144,135	-	-	144,135
CEDIT	146,586	155,596	142,395	159,787	233,556	199,278	194,065
LOIT - PUBLIC SAFETY	88,737	35,682	91,814	32,605	59,410	63,344	28,671
PICNIC DONATION	6,945	1,000	1,794	6,151	1,040	7,191	-
POLICE DONATION	7,666	2,859	2,601	7,924	4,896	9,988	2,832
POLICE EVIDENCE	12,194	-	-	12,194	-	-	12,194
PAYROLL	(56)	406,740	404,999	1,685	511,573	513,181	77
PLAYGROUND DONATIONS FUND	-	-	-	-	7,652	1,622	6,030
Totals	<u>\$ 745,466</u>	<u>\$ 1,402,266</u>	<u>\$ 1,324,833</u>	<u>\$ 822,899</u>	<u>\$ 1,684,530</u>	<u>\$ 1,558,767</u>	<u>\$ 948,662</u>