

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

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

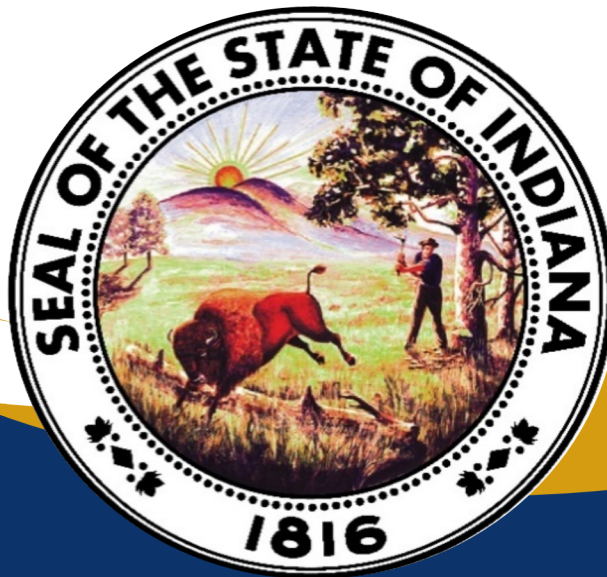
SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF CROTHERSVILLE

JACKSON COUNTY, INDIANA

January 1, 2022 to December 31, 2023



FILED
12/20/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Danieta Foster	01-01-22 to 12-31-24
President of the Town Council	Jason Hillenburg Terry Richey	01-01-22 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 CROTHERSVILLE, JACKSON COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Crothersville (Town), for the period from January 1, 2022 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.

Beth Kelley, CPA, CFE
Deputy State Examiner

December 4, 2024



CLERK-TREASURER
TOWN OF CROTHERSVILLE

CLERK-TREASURER
TOWN OF CROTHERSVILLE
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in prior Report B60321.

Condition and Context

Internal controls over financial close and reporting, cash and investments, and disbursements were insufficient.

Financial Close and Reporting

A proper system of internal control was not in place to prevent, or detect and correct, errors on the Annual Financial Report (AFR) submission. Financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statement, was not reviewed and approved by someone other than the person entering the data. As a result, the following errors remained undetected.

- The Sewer SRF Construction fund was omitted from the financial statement. For 2022, this resulted in understatements to the beginning cash and investments balance, receipts, disbursements, and ending cash and investments balance by \$1,876,215, \$7,719, \$1,521,089, and \$362,845, respectively. For 2023, this resulted in understatements to the beginning cash and investments balance, receipts, and ending cash and investments balance by \$362,845, \$17,848, and \$380,693, respectively.
- The Bank of New York Sewer SRF Loan fund contained material errors. For 2022, this resulted in overstatements to both the beginning cash and investments balance and disbursements by \$54,350. For 2023, this resulted in overstatements to receipts by \$45,496 and understatements to disbursements by \$247,915, resulting in the ending cash and investments balance to be overstated by \$293,411.
- There were immaterial misstatements in ten other funds during the audit period. For 2022, the beginning cash and investment balance was understated by \$54,350, and the receipts were overstated by \$54,350. For 2023, receipts were overstated by \$66,739 in the aggregate, and disbursements were understated by \$61,453 in the aggregate, resulting in the ending cash and investments balance to be overstated by \$128,192.

Audit adjustments were proposed, accepted by the Town, and made to the AFR used to compile the financial statement and the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statement Audit Report of the Town.

Cash and Investments

Internal controls, including segregation of duties, were not in place to ensure that monthly reconcilements were being performed for all depository accounts. The Clerk-Treasurer was solely responsible for preparing the bank reconcilements of the Town, and there was no other review or approval for accuracy.

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

Disbursements

Internal controls, including segregation of duties, were not in place to ensure that disbursements were being reviewed. The Town Council signs both the vendor and the payroll claims dockets, but the entirety of the dockets was not presented for audit. Only the last page of each docket, which was signed by the Town Council, was presented for audit. There is no evidence to show which individual claims are being approved by governance.

Criteria

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](#)."

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. . . ."

INTERNAL CONTROLS

Condition and Context

Internal controls were not in place to ensure the Town complied with laws and regulations. Internal control deficiencies resulted in noncompliance with the following areas and are detailed further in the comments below:

- Motor Vehicle Highway Restricted Fund - Receipts
- Bank Account Reconciliations
- Annual Financial Report
- Capital Assets

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

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MOTOR VEHICLE HIGHWAY RESTRICTED FUND - RECEIPTS

Condition and Context

The Town did not allocate the required 50 percent of the Motor Vehicle Highway (MVH) distributions to the MVH Restricted fund. In November 2023, \$2,817 was incorrectly posted to the Motor Vehicle Highway fund that should have been receipted into the MVH Restricted fund.

Criteria

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)

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

BANK ACCOUNT RECONCILIATIONS

Condition and Context

The Town had six bank accounts that should be reconciled monthly to the Town's ledgers, and two of those six accounts are combined into one reconciliation. Of the 120 monthly reconciliements required during the audit period, 18 were selected for testing. Of the 18 selected for testing, 16 did not have a properly completed bank reconciliation.

There was no evidence of reconciliements being attempted for 11 of the monthly reconciliements tested. Of those attempted, 5 reconciliements had an outstanding checklist, reconciling items, and an adjusted bank balance. However, there was no evidence to indicate a comparison was made to the record balance.

The audit team prepared a combined bank reconciliation as of December 31, 2022, and December 31, 2023. There was a \$258 cash long unidentified variance between the adjusted bank balance and the cash balance per the financial statement at December 31, 2022, and a \$299 cash long unidentified variance as of December 31, 2023.

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."

ANNUAL FINANCIAL REPORT

Condition and Context

Financial, supplemental, and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units financial reporting system. The following errors were identified with the information the Town submitted in its AFR:

Capital Assets

The Town did not provide supporting documentation for its capital assets, and there were no amounts for capital assets reported on the AFR. The Town chose not to present the Schedule of Capital Assets in the Financial Statement Audit Report of the Town.

Payables and Receivables

The Town did not report any amount on its AFR for accounts payable. The Town did have certain disbursements that they knew were payable at December 31. The accounts payable as of December 31 could not be determined. The Town chose not to present the Schedule of Payables and Receivables in the Financial Statement Audit Report of the Town.

Leases and Debt

The Town did not report its Sewer SRF debt on its debt schedule on the AFR. This caused the ending principal balance of the debt schedule to be understated by \$5,485,000, and the principal and interest due within one year to be understated by \$271,301.

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

Adjustments were proposed, accepted by the Town, and made to the AFR and the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report of the Town.

Criteria

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](#)."

CAPITAL ASSETS

The same comment also appeared in prior Report B60321.

Condition and Context

The Town (including Utilities) did not prepare or maintain a detailed listing of all capital assets owned. The Town Council had not passed a capital asset policy that includes a threshold at which an item is considered a capital asset. The Town did not complete a physical inventory every two years. As a result, the required capital asset schedule in the Annual Financial Report was not completed and was not included in the Financial Statement Audit Report of the Town.

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)

CLERK-TREASURER
TOWN OF CROTHERSVILLE
EXIT CONFERENCE

The contents of this report were discussed on December 4, 2024, with Danieta Foster, Clerk-Treasurer, and Terry Richey, President of the Town Council.