

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ARCADIA

HAMILTON COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED
09/05/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Internal Controls	6-7
Annual Financial Report.....	7-8
Compensation and Benefits	8
Exit Conference	9

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jennifer Pickett	01-01-22 to 12-31-24
President of the Town Council	Rich Versprille	01-01-22 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 ARCADIA, HAMILTON COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Arcadia (Town), for the period from January 1, 2022 to December 31, 2022. 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

August 22, 2024

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CLERK-TREASURER
TOWN OF ARCADIA

CLERK-TREASURER
TOWN OF ARCADIA
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

A similar comment appeared in prior Reports B48889, B55102, and B59950.

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to financial close and reporting, receipts, and payroll disbursements.

Financial Close and Reporting

The Town had designed, but not properly implemented, a system of internal controls over financial close and reporting. One employee was responsible for entering the Town's financial information into its Annual Financial Report (AFR) that was submitted on the Indiana Gateway for Government Units financial reporting system, which is the source of the financial statement. There was no documentation of an internal control in place, such as a review, oversight, or approval process to ensure the Town's financial information was accurately submitted into its AFR.

Receipts

The Town had not designed or implemented a system of internal controls over receipts. One employee was responsible for posting receipts to the 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.

Payroll Disbursements

The Town had not implemented a system of internal controls to ensure compliance with its salary ordinance or resolution. One employee was responsible for entering payroll information into the computer system and generating/disbursing payroll checks to the Town employees. There was no documentation of an internal control in place, such as a review, oversight, or approval process, to ensure compliance with the Town's salary ordinance or resolution.

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.

CLERK-TREASURER
TOWN OF ARCADIA
AUDIT RESULTS AND 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. . . ."

ANNUAL FINANCIAL REPORT

A similar comment also appeared in prior Report B48889, entitled *TRANSACTION RECORDING*; prior Reports B55102 and B59950, entitled *ANNUAL FINANCIAL REPORT*; and prior Report B59950, entitled *SUPPLEMENTAL SCHEDULES IN ANNUAL FINANCIAL REPORT*.

Condition and Context

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The financial statement, leases and debt, capital assets, and payables and receivables information entered into Gateway contained the following errors:

Financial Statement

- The receipts and the ending cash and investments balance for the LOIT Special Distribution fund were each understated by \$55,321.
- The receipts and the ending cash and investments balance for the Opioid Distribution Local Abatement fund were each understated by \$2,373.
- The receipts and the ending cash and investments balance for the Opioid Distribution Local Restricted fund were each understated by \$1,017.
- The receipts and the ending cash and investments balance for the Wastewater Utility SRF fund were each understated by \$15,755.
- The receipts and the ending cash and investments balance for the 2014 SRF fund were each understated by \$1,548.

Adjustments were proposed, accepted by the Town, and made to the financial statement presented in the Financial Statement Audit Report of the Town.

Leases and Debt

- The Wastewater Revenue Bond ending principal balance was understated by \$53,080, and the principal due within one year was overstated by \$14,320.
- The Water Revenue Bond principal balance was understated by \$14,017, and the principal due within one year was overstated by \$13,052.
- The Waterworks Bond Anticipation Notes 2022 ending principal balance and the principal due within one year were each understated by \$670,000.

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

Capital Assets

- Total capital assets were overstated by \$767,961.

Payables and Receivables

- Accounts Receivable were understated by \$75,963.

Adjustments were proposed, accepted by the Town, and made to the Schedule of Leases and Debt, Schedule of Capital Assets, and Schedule of Payables and Receivables presented in the Financial Statement Audit Report for 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 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](#)."

COMPENSATION AND BENEFITS

The same comment also appeared in prior Report B59950.

Condition and Context

The Town paid employees for personal cell phone usage. This benefit was not included in the salary ordinance or resolution. During 2022, the Town paid \$2,190 to employees for cell phone usage.

Criteria

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF ARCADIA
EXIT CONFERENCE

The contents of this report were discussed on August 22, 2024, with Jennifer Pickett, Clerk-Treasurer, and Rich Versprille, President of the Town Council.