

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

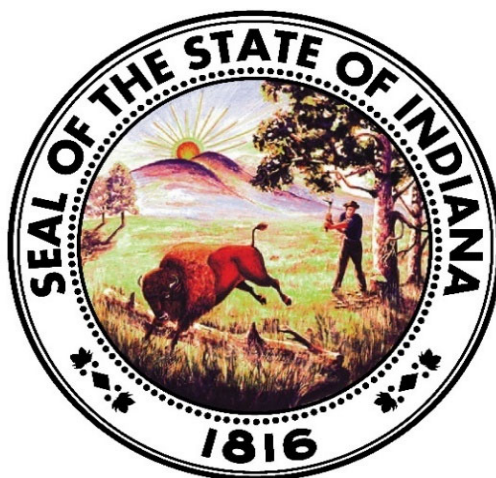
SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ARCADIA

HAMILTON COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED

09/05/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jennifer Pickett	01-01-23 to 12-31-24
President of the Town Council	Rich Versprille	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 ARCADIA, HAMILTON COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Arcadia (Town), for the period from January 1, 2023 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

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, entitled *INTERNAL CONTROLS*.

Condition and Context

There were deficiencies in the internal control system of the Town 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 to ensure compliance submission of the Annual Financial Report (AFR) in the Indiana Gateway for Government Units (Gateway) financial reporting system. One employee was responsible for entering the Town's financial information into its AFR that was submitted on Gateway, which is the source of the financial statement. There was no documentation that the Town's internal control process regarding review, oversight, or approval was followed 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 to ensure compliance with 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 designed, but not properly implemented, a system of internal controls to ensure compliance with their 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 that the Town's internal control processes regarding review, oversight, or approval to ensure payroll disbursements were in accordance 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.

An integral part of the control activity component is segregation of duties. . . .

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

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 Report B55102, 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, grant information, capital assets, payables and receivables, and leases and debt information entered into Gateway contained the following errors:

Financial Statement and Other Information- Combining Schedule

- Transactions related to the State Drinking Water Revolving Loan fund were not recorded in the SRF WATER ARCADIA23A fund in the Town's ledger, which understated both receipts and disbursements by \$854,196.

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

Other Information - Leases and Debt, Capital Assets, and Schedule of Payables and Receivables

- The Schedule of Leases and Debt contained errors. The Distribution System Waterworks Revenue Bond 2014 ending principal balance was understated by \$27,069, and the principal due within one year was overstated by \$12,054. The Sewer Separation Revenue Bond of 2018 principal balance and principal due within one year were understated by \$30,160 and \$1,000, respectively. The Sewer Separation Revenue Bond of 2023 and Distribution System Waterworks Revenue Bond 2023A ending principal balances were overstated by \$310,137 and \$442,284, respectively. The Waterworks Revenue BAN series 2023B and Waterworks Revenue BAN series 2023C ending principal balances were understated by \$2,000,000 and \$301,796, respectively.
- The Schedule of Capital Assets reported by the Town was overstated by a total of \$806,118.
- The Schedule of Payables and Receivables reported by the Town was understated by \$5,974.

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 as Other Information in the Financial Statement Audit Report of the Town.

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

Grant information, the source of the Schedule of Expenditures of Federal Awards (SEFA)

- The Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii expenditures were understated by \$224,637.
- The COVID-19 - Coronavirus State and Local Fiscal Recovery Funds expenditures were understated by \$3,339,176.
- The Drinking Water State Revolving Fund expenditures were understated by \$140,400.
- Other errors included incorrect program names, pass-through entities, and identifying numbers.

Adjustments were proposed, accepted by the Town, and made to the SEFA presented in the Federal Compliance 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](#)."

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 2023, the Town paid \$1,790 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
AUDIT RESULTS AND COMMENTS
(Continued)

TIMELY RECORDING

Condition and Context

Receipts and disbursements for the State Drinking Water Revolving Loan for ARCADIA23A totaling \$854,196 were not recorded in the Town's ledger for 2023.

Criteria

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1.

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction.

(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.