

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ROACHDALE

PUTNAM COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
07/24/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Martha Louk Debbie Sillery	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President of the Town Council	Barbara Scott J. Zachary Bowers	01-01-14 to 12-31-15 01-01-16 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF ROACHDALE, PUTNAM COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Roachdale (Town), for the period from January 1, 2014 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the Town, which provides our opinions on the Town's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

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 Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

June 6, 2017

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CLERK-TREASURER
TOWN OF ROACHDALE

CLERK-TREASURER
TOWN OF ROACHDALE
FEDERAL FINDINGS

FINDING 2014-001 - INTERNAL CONTROL OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition

There were deficiencies in the internal control system of the Town. The Town had not separated incompatible activities related to receipts, vendor disbursements, and payroll. The Clerk-Treasurer was performing all of the processes related to those activities.

The Town had not separated incompatible activities related to utility billing and utility receipts. The Deputy Clerk-Treasurer was performing all of the processes related to those activities.

The Payroll Operating Cash Acct fund was used to account for payroll and related transactions. The Town had not properly recorded transactions in the Payroll Operating Cash Acct fund which resulted in an accumulated cash balance of \$60,588 at December 31, 2014. An oversight, review, or approval process had not been established to detect errors in financial transactions or safeguard against fraud.

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. . . ."

Cause

Management of the Town had not established a proper system of internal control.

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

CLERK-TREASURER
TOWN OF ROACHDALE
FEDERAL FINDINGS
(Continued)

**FINDING 2014-002 - PREPARATION OF THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS**

Condition

The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Clerk-Treasurer was responsible for preparing and submitting the SEFA. There was no evidence of a control such as oversight, review, or approval of the SEFA.

The SEFA included a \$1,600,000 Department of Agriculture loan for a gas replacement project that was installed and paid for in 2012 and 2013.

Audit adjustments were proposed, accepted by the Town, and made to the SEFA.

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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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. . . ."

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with section .310. . . ."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

CLERK-TREASURER
TOWN OF ROACHDALE
FEDERAL FINDINGS
(Continued)

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the error identified in the *Condition*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-003 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/State's program
and Non-Entitlement Grants in Hawaii
CFDA Number: 14.228
Federal Award Number and Year (or Other Identifying Number): CF-13-101
Pass-Through Entity: Office of Community and Rural Affairs (OCRA)

CLERK-TREASURER
TOWN OF ROACHDALE
FEDERAL FINDINGS
(Continued)

Condition

The Town had not implemented internal controls to ensure that adequate records were maintained to document the assets acquired with their federal grant.

A \$500,000 grant was awarded to the Town to make improvements to the water system. The improvements included installation of 11,875 feet of 6-inch C900 water main, seventeen 6-inch gate valves, twenty-four 6-inch water/fire hydrants, replacing twenty-four of the forty-nine existing hydrants, looping in four areas, and three hundred seventy-four meter pits, including meters at the property line where the shut off valves were located and replacing all of the current customers meters.

The Town failed to maintain Capital Asset records. The acquisitions listed above were never recorded. Capital assets records made available for audit did not have any postings since 2011.

Criteria

24 CFR 85.32(d) states in part:

". . . Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. . . ."

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

Cause

Management had not developed a system of internal controls over equipment obtained with their federal grant.

Effect

The failure to establish effective internal controls over Equipment and Real Property Management enabled material noncompliance to go undetected.

Questioned Costs

There were no questioned costs identified.

CLERK-TREASURER
TOWN OF ROACHDALE
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the Town's management establish controls related to the grant agreement and the Equipment and Real Property Management compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Town of Roachdale

P.O. Box 198, 205 N Indiana Street, 46172
Clerk Treasurer
Debbie Sillery

(765) 522-1532 Office (765) 522-2297 Fax
Town Council Members
Zach Bowers, Holly Cook, Kevin Cook

May 25, 2017

Corrective Action Plan

Finding 2014-001

Contact Person Responsible for Corrective Action: Debbie Sillery, Clerk-Treasurer
Contact Phone Number: (765)522-1532

Description of Corrective Action Plan:
We concur with the finding.

The Roachdale Town Council passed Resolution No. 6-2016 A Resolution of the Roachdale Town Council Adopting Internal Control Standards on March 8, 2016. In addition, the Clerk-Treasurer, the Deputy Clerk, and the Town Council have all completed the Indiana State Board of Accounts Internal Controls Webinar and are now following procedures as outlined in the webinar. The Roachdale Town Council signed an agreement with Charlene Brown, Char's Accounting Services, LLC, on January 12, 2016 for accounting services in which she will provide general accounting services for the Town, including, but not limited to, assisting the Clerk-Treasurer with bank reconciliations, training, and other accounting services on a monthly basis. Char's Accounting Services, LLC also does all quarterly reporting, assists with budget preparation, and prepares the State Board of Accounts Annual Report, with the accounting services and the Clerk-Treasurer oversight there will always be two people reviewing all reports.

The Town will immediately ensure that the Payroll Clearing Fund is properly posted. We will make sure transfers into the payroll clearing equal the payments from payroll clearing for each line item. The Roachdale Town Council signed an agreement with Charlene Brown, Char's Accounting Services, LLC, on January 12, 2016 for accounting services in which she will provide general accounting services for the Town, including, but not limited to, assisting the Clerk-Treasurer with bank reconciliations, training, and other accounting services on a monthly basis. Char's Accounting Services, LLC also does all quarterly reporting, assists with budget preparation, and prepares the State Board of Accounts Annual Report. She began assisting with payroll in January 2016 and will assist in making sure that the Payroll Clearing Fund is properly posted from this point forward.

Finding 2014-002

Contact Person Responsible for Corrective Action: Debbie Sillery, Clerk-Treasurer
Contact Phone Number: (765)522-1532

Description of Corrective Action Plan:
We concur with the finding.

The Roachdale Town Council passed Resolution No. 6-2016 A Resolution of the Roachdale Town Council Adopting Internal Control Standards on March 8, 2016. In addition, the Clerk-Treasurer, the Deputy Clerk, and the Town Council have all completed the Indiana State Board of Accounts Internal Controls Webinar and are now following procedures as outlined in the webinar.

The Roachdale Town Council signed an agreement with Charlene Brown, Char's Accounting Services, LLC, on January 12, 2016 for accounting services in which she will provide general accounting services for the Town, including but not limited to, assisting the Clerk-Treasurer with bank reconciliations, training, and other accounting services on a monthly basis. Char's Accounting Services, LLC also does all quarterly reporting, assists with budget preparation, and prepares the State Board of Accounts Annual Report. In addition, she assists in the preparation of the SEFA and reviews each entry. Char's Accounting Services began assisting with preparing the SEFA in January 2016, with the accounting services and the Clerk-Treasurer oversight there will always be two people reviewing all schedules reported.

Finding 2014-003

Contact Person Responsible for Corrective Action Plan: Debbie Sillery, Clerk- Treasurer
Contact Phone Number: (765)522-1532

We concur with the finding.

The Town of Roachdale will keep both an electronic and a printed copy of the assets that the town owns. These copies will be updated periodically.

At each year end the Clerk-Treasurer and Charlene Brown, Char's Accounting Services, will review the books and make sure all additions are added and all deletions are removed. We will begin doing this in January 2018.



Debbie Sillery
Clerk-Treasurer
Town of Roachdale

CLERK-TREASURER
TOWN OF ROACHDALE
AUDIT RESULTS AND COMMENTS

ADVANCE PAYMENTS

Of the pay periods selected for testing, 100 percent had one or more checks that cleared the bank in advance of the pay period ending date, indicating payroll checks had been issued in advance of the completion of the pay period.

Compensation and any other payments for goods and services must not be paid in advance of receipts of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ERRORS ON CLAIMS

Accounts Payable Voucher Registers were not properly prepared by the Clerk-Treasurer nor signed by the Town Council prior to the payment of claims.

The Town Council signed check registers at each monthly meeting. The check registers listed the vendors and the amounts paid. The payments had been sent to the vendors prior to the meetings.

The Town Council passed Ordinance 3-2012 on April 10, 2012, to allow advance payment of certain types of claims, but all claims were paid in advance during 2014, including types that are not allowed by the ordinance.

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:

- (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. . . . "

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)

CLERK-TREASURER
TOWN OF ROACHDALE
EXIT CONFERENCE

The contents of this report were discussed on June 6, 2017, with Debbie Sillery, Clerk-Treasurer, and J. Zachary Bowers, President of the Town Council.