

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF RIDGEVILLE

RANDOLPH COUNTY, INDIANA

January 1, 2013 to December 31, 2016



**FILED**  
09/29/2017



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Arlinda Hardwick	01-01-12 to 12-31-19
President of the Town Council	Tom Friend	01-01-13 to 12-31-17
Superintendent of Water Utility	Andy Coyle Scott Trausch	01-01-13 to 06-30-14 07-01-14 to 12-31-17
Superintendent of Wastewater Utility	Scott Trausch	01-01-13 to 12-31-17



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF RIDGEVILLE, RANDOLPH COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Ridgeville (Town), for the period from January 1, 2013 to December 31, 2016. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statements Examination Report of the Town, which provides our opinion on the Town's financial statements. This report may be found at [www.in.gov/sboa/](http://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 Examination Result and Comment contained herein describes the identified reportable instance 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 Examination Result and Comment, incorporated within this report, was not verified for accuracy.

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

August 16, 2017

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CLERK-TREASURER  
TOWN OF RIDGEVILLE

CLERK-TREASURER  
TOWN OF RIDGEVILLE  
EXAMINATION RESULT AND COMMENT

***INTERNAL CONTROLS***

A similar comment appeared in prior Report B48516 entitled "Internal Controls over Financial Transactions and Reporting."

There were several deficiencies in the internal control system of the Town related to financial transactions and reporting.

1. Lack of Segregation of Duties: The Town had not separated incompatible activities related to receipts, utility billings and collections, disbursements, payroll and related liabilities, and cash and investment balances. The Clerk-Treasurer performed all of these functions.
2. Monitoring of Controls: The Town had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the Town to monitor and assess the quality of the system of internal control. The Town Council had not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise oversight responsibility placed the Town at risk that controls may not have been designed or operating effectively to provide reasonable assurance that controls would prevent, or detect and correct, material misstatements in a timely manner.
3. Preparing Financial Statements: Effective internal control over financial reporting would have involved the identification and analysis of the risks of material misstatement to the Town's audited financial statement and then determining how those identified risks should have been managed. The Town had not identified risks to the preparation of a reliable financial statement, and as a result, failed to design effective controls over the preparation of the financial statements to prevent, or detect and correct, material misstatements, including notes to the financial statements. The Town had not established effective internal controls over the financial information entered into the Indiana Gateway for Government Units, which is a financial reporting system and the source of the Annual Financial Report (AFR) and financial statements.

CLERK-TREASURER  
TOWN OF RIDGEVILLE  
EXAMINATION RESULT AND COMMENT  
(Continued)

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. . . .

Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

CLERK-TREASURER  
TOWN OF RIDGEVILLE  
EXIT CONFERENCE

The contents of this report were discussed on August 16, 2017, with Arlinda Hardwick, Clerk-Treasurer, and Diane Taylor, Town Council member.