

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, 2012 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 | Bette Shields Jennifer Pickett | 01-01-12 to 12-31-15 01-01-16 to 12-31-19 |
| President of the Town Council | William C. Cook Maurice St. Louis Randy Hill | 01-01-12 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF ARCADIA, HAMILTON COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Arcadia (Town), for the period from January 1, 2012 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/.

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 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 Examination Results and Comments, incorporated within this report, was not verified for accuracy.

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

August 17, 2017

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CLERK-TREASURER
TOWN OF ARCADIA

CLERK-TREASURER
TOWN OF ARCADIA
EXAMINATION RESULTS AND COMMENTS

TRANSACTION RECORDING

The 2014 SRF Fund transactions were not included in the Annual Financial Report (AFR) or the Town's records during 2014, 2015, and 2016. Additionally, the AFR did not properly reflect the activity of the LOIT Special Distribution fund during 2016.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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."

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)

INTERNAL CONTROLS

The Town had not established effective internal controls over the financial information reported in the Indiana Gateway for Government Units (Gateway), which is a financial reporting system and the source of the Annual Financial Report and financial statements. The Clerk-Treasurer prepared and submitted financial information in Gateway without a control process in place to ensure accuracy, such as a review process.

A similar comment appeared in prior Report B40311.

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
EXAMINATION 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. . . ."

SUPPORTING DOCUMENTATION

The approved time cards were not retained for examination for the Police Department for 2014. In addition for 2012, 2013, 2015, and 2016, five of the ten time cards selected for examination were not approved by the appropriate official or department head and the Fiscal Officer.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 6)

The compliance guidelines for the Payroll Schedule and Voucher, General Form No. 99, state: Each claim should be certified to by the department head and the Clerk-Treasurer in the appropriate sections provided thereon. The Clerk-Treasurer may elect to certify on the Accounts Payable Voucher Register, General Form No. 364, in lieu of certifying each Payroll Schedule and Voucher. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 6)

CAPITAL ASSET RECORDS

The Town records capital asset additions, but disposals were not recorded. When the Town disposed of a capital asset, the cost of the asset should be recorded in the records as a deletion. In addition, a complete inventory was not taken every two years by the Town.

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 inventory should 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 ARCADIA
EXIT CONFERENCE

The contents of this report were discussed on August 17, 2017, with Jennifer Pickett, Clerk-Treasurer; Bette Shields, former Clerk-Treasurer; Maurice St. Louis, Town Council member; and Mitchell Russell, Town Council member.