

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ROYAL CENTER

CASS COUNTY, INDIANA

January 1, 2012 to December 31, 2016



FILED

11/09/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sandra S. Minnick	01-01-12 to 12-31-19
President of the Town Council	Conrad D. Funk Marion Campbell	01-01-12 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 ROYAL CENTER, CASS COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Royal Center (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

September 26, 2017

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CLERK-TREASURER
TOWN OF ROYAL CENTER

CLERK-TREASURER
TOWN OF ROYAL CENTER
EXAMINATION RESULT AND COMMENT

INTERNAL CONTROLS

Effective internal controls over the financial transactions and reporting had not been established. Incompatible activities related to receipts, disbursements, cash and investment balances, and financial reporting had not been separated. The failure to establish these controls could have enabled material misstatements to remain undetected.

The Clerk-Treasurer collected daily receipts, issued receipts, recorded the receipts to the ledger, and took the daily deposits to the bank. Additionally, the Clerk-Treasurer issued checks and recorded all disbursements for the Town. The Clerk-Treasurer also reconciled the bank statements monthly, prepared the monthly and annual reports, including entering and submitting the financial information into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Reports and the financial statements. There were no controls in place to monitor, review, or determine the accuracy of the financial transactions and reporting.

The 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. . . ."

CLERK-TREASURER
TOWN OF ROYAL CENTER
EXIT CONFERENCE

The contents of this report were discussed on September 26, 2017, with Sandra S. Minnick, Clerk-Treasurer, and Marion Campbell, President of the Town Council.

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TOWN COUNCIL
TOWN OF ROYAL CENTER

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EXAMINATION RESULT AND COMMENT

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