

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF REDKEY

JAY COUNTY, INDIANA

January 1, 2012 to December 31, 2015



FILED
03/08/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Examination Results and Comments:	
Bank Account Reconciliations.....	6
Internal Controls over Financial Reporting.....	6
Overdrawn Cash Balances	6
Exit Conference	7

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Debbie James	01-01-12 to 12-31-20
President of the Town Council	Kyle Champ	01-01-12 to 12-31-15
	Ted Friddle	01-01-16 to 12-31-16
	Doug Stanley	01-01-17 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF REDKEY, JAY COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Redkey (Town), for the period from January 1, 2012 to December 31, 2015. 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

January 22, 2018

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CLERK TREASURER
TOWN OF REDKEY

CLERK TREASURER
TOWN OF REDKEY
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

A similar comment also appeared in prior Report B41462, entitled *BANK ACCOUNT RECONCILIATIONS*.

The Town had not been able to reconcile the ledger to the bank due to various posting errors including interest and bank fees not being posted.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Town did not have internal controls over the Financial Close and Financial Reporting reporting activities. The Clerk-Treasurer closed the financial records at year end and input and submitted financial information into the Indiana gateway for government units, which is a financial reporting system and the source of the Town's Annual Financial Report. There were no controls in place, such as an oversight, review, or approval process, to ensure the accuracy of the Financial Close process or the Financial Reporting prior to submission. The failure to establish controls over the Financial Close process and Financial Reporting could enable material misstatements to occur and go undetected.

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. . . ."

OVERDRAWN CASH BALANCES

The Economic Development Income Tax fund was used as a clearing fund and biannually the Town remitted to the Redkey Economic Development Corporation the amount the Town had collected from the County. The Town paid another claim from this fund in error, resulting in the overdrawn ending balance.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK TREASURER
TOWN OF REDKEY
EXIT CONFERENCE

The contents of this report were discussed on January 22, 2018, with Doug Stanley, President of the Town Council, and Debbie James, Clerk-Treasurer.