

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
TOWN OF ORESTES  
MADISON COUNTY, INDIANA  
January 1, 2012 to December 31, 2016



**FILED**  
03/09/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Erin A. Atwood	01-01-12 to 12-31-19
President of the Town Council	John Shettle	01-01-12 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF ORESTES, MADISON COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Orestes (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/](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 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 25, 2018

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CLERK-TREASURER  
TOWN OF ORESTES

CLERK-TREASURER  
TOWN OF ORESTES  
EXAMINATION RESULTS AND COMMENTS

**INTERNAL CONTROL OVER FINANCIAL CLOSE AND REPORTING**

The Clerk-Treasurer reconciled the information in the accounting ledger, completed the annual close-out procedures, and input the required information into the Annual Financial Report (AFR) without an oversight, approval, or other internal control process to ensure the accuracy of the information input into the AFR.

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 same comment also appeared in prior Reports B37608 and B41252.

The Wastewater Utility- Operating fund had an overdrawn cash balance as of December 31, 2015 and 2016, in the amount of \$7,244 and \$2,851, respectively.

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)

**CUSTOMER DEPOSIT REGISTER**

The same comment also appeared in prior Reports B20116, B23477, B28600, B32543, B37608, and B41252.

The Town's detailed customer deposit register did not agree with the cash balance in the Water Utility- Customer Deposit fund. The detailed customer deposit register as of December 31, 2016, had a balance of \$3,560, but the Water Utility- Customer Deposit fund had a balance of \$8,343. The Town's bank reconciliation funds agreed with the ending ledger balances for all funds. Due to bookkeeping issues and lack of records from prior years, the detail for the Customer Deposit Register could not be determined.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual Cities and Towns, Chapter 1)

TOWN OF ORESTES  
14 E. Oak Street  
P.O. Box 158  
Orestes, IN 46063  
765-754-7175

February 3, 2018

OFFICIAL RESPONSE

State Examiner, State Board of Accounts  
301 W. Washington Street, Room E148  
Indianapolis, IN 46204-2765

The State Board of Accounts recently completed an audit of the Town of Orestes for the years 2012-2016. This letter is our official response to the results and comments discussed at the exit conference held January 25, 2018.

The Town of Orestes will be adopting the minimum level of internal control standards as defined by the State Board of Accounts. Personnel will also be trained on these internal control standards.

The Waste Water Cash Operating fund has an overdrawn balance at the 2015 and 2016 year ends. We had unforeseen equipment failures that had to be repaired causing this issue. In addition we have been notified by the City of Alexandria that we are facing a rate increase from them for our waste water treatment. In light of both of these issues, the Town of Orestes contracted with HJ Umbaugh on October 25, 2016 to conduct a rate study of both the Water and Waste Water Funds. This process is ongoing as we are currently in negotiations with the City of Alexandria regarding the proposed increase. Therefore, we are already in the process of addressing the correction of said overdrawn cash balances.

Regarding the Detailed Customer Deposit Register not agreeing with the actual balance, this has been an issue for the past 20 years and has been mentioned in every audit since that time. The reason for this is that when I assumed office January 1, 1996, the records were in shambles. The records had not been properly maintained for a number of years at that point. Some were non-existent. The Town of Orestes at that time hired a firm to reconstruct these records. My solution if permitted by the State Board of Accounts would be to come up with a consistent amount over the previous several years and transfer the amount from the Customer Meter Deposit Fund out to the Cash Operating Fund in order to make the Detailed Customer Deposit Register agree with the actual cash balance. If permitted I would request to be allowed to transfer the amount to the Waste Water Cash Operating Fund as this would assist with bringing that fund from the current negative cash balance listed above.

Respectfully Submitted,

Erin A. Atwood  
Clerk Treasurer  
Town of Orestes

CLERK-TREASURER  
TOWN OF ORESTES  
EXIT CONFERENCE

The contents of this report were discussed on January 25, 2018, with Erin A. Atwood, Clerk-Treasurer; Catheryn Bowyer, Town Council member; and John Shettle, President of the Town Council.

TOWN COUNCIL  
TOWN OF ORESTES

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EXAMINATION RESULT AND COMMENT

***ADOPTION OF AND TRAINING ON INTERNAL CONTROL STANDARDS***

The Town did not adopt the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts (SBOA). The required personnel did not receive training over internal standards that was developed or approved by the SBOA.

Indiana 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

CLERK-TREASURER  
TOWN OF ORESTES  
EXIT CONFERENCE

The contents of this report were discussed on January 25, 2018, with Erin A. Atwood, Clerk-Treasurer; Catheryn Bowyer, Town Council member; and John Shettle, President of the Town Council.