

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF RUSSELLVILLE

PUTNAM COUNTY, INDIANA

January 1, 2012 to December 31, 2016



FILED
06/28/2018

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
Undocumented Expenses	6
Condition of Records.....	6
Customer Deposit Register	7
Deposits	7
Capital Asset Records.....	7-8
Record Retention	8
Official Response.....	9-10
Exit Conference	11
Town Council:	
Examination Result and Comment:	
Training on Internal Control Standards	14
Official Response.....	15-16
Exit Conference	17

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	DeVon Davis Martha Mandleco	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President of the Town Council	Donald W. Reddish Cary McGaughey	01-01-12 to 12-31-14 01-01-15 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE TOWN OF RUSSELLVILLE, PUTNAM COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Russellville (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

May 16, 2018

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CLERK-TREASURER
TOWN OF RUSSELLVILLE

CLERK-TREASURER
TOWN OF RUSSELLVILLE
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Bank account reconciliations were performed monthly in 2012, 2013, 2014, and 2015; however, they were not supported and the outstanding check lists were not accurate at December 31, 2013, December 31, 2014, December 31, 2015, and December 31, 2016. Due to the condition of records, December 31, 2016 cash balances could not be determined.

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."

UNDOCUMENTED EXPENSES

Credit card payments totaling \$2,946 were made, which did not contain adequate supporting documentation such as receipts, invoices, and other public records for the years 2012, 2013, 2014, and 2015.

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 1)

CONDITION OF RECORDS

Financial records presented for examination were not reflective of the activity of the Town and Water Utility funds. The records presented did not provide sufficient information to examine or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

Some of the deficiencies included:

1. Posting errors
2. Checks and receipts not recorded in the proper amounts
3. Incomplete ledgers
4. Lack of supporting documentation for bank account reconciliations

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

CLERK-TREASURER
TOWN OF RUSSELLVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

CUSTOMER DEPOSIT REGISTER

A similar comment also appeared in prior Report B27556, entitled *CUSTOMER DEPOSIT REGISTER*, and in prior Reports B32507 and B37810, entitled *GUARANTEE DEPOSIT REGISTER*.

The Guarantee Deposit Register was not presented for examination, and as a result, the cash balance at December 31 each year could not be determined.

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

DEPOSITS

A similar comment also appeared in prior Report B27556, entitled *DEPOSITS-TOWN AND WATER UTILITY*, and prior Report B37810, entitled *DEPOSITS*.

Receipts, including local distributions, were not deposited timely. Records presented for examination showed that from January 2012 to February 2015, deposits were held up to 18 days before being deposited and from January 2016 to December 2016 up to 11 days.

Indiana Code 5-13-6-1(d) states in part:

"Except as provided in subsection (g), a city . . . or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories:

- (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and
- (2) approved as depositories of state funds."

Indiana Code 5-13-6-1(g) states in part:

"The following are not required to deposit funds on the business day following receipt if the funds on hand do not exceed five hundred dollars (\$500): . . ."

- (2) A local officer of a political subdivision required to deposit funds under subsection (c) other than a township trustee.
- (3) A city or a town required to deposit funds under subsection (d). . . ."

CAPITAL ASSET RECORDS

A similar comment also appeared in prior Reports B27556, B32507, B37810, and B41709.

The Town had not properly maintained a complete inventory of capital assets owned. During the prior and current examination periods, purchases were made, but they were not recorded on the Town's Capital Asset Ledger.

CLERK-TREASURER
TOWN OF RUSSELLVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

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 physical inventory must 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)

RECORD RETENTION

The Payroll Schedule and Voucher (General Form No. 99) was not available for examination for October 2012, November 2012, and December 2012. In addition, the following forms were not presented for the examination period:

- City/Town Form No. 209 Ledger of Appropriations, Encumbrances, Disbursements and Balances
- General Form No. 369 or City/Town Form No. 211 Capital Asset Ledger
- Utility Form No. 319 Simplified Cash Journal Water Utility-Class C

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

TOWN OF RUSSELLVILLE
P O BOX 273
RUSSELLVILLE, INDIANA 46175
765.435.2371

OFFICIAL RESPONSE

EXAMINATION RESULTS AND COMMENTS
TOWN OF RUSSELLVILLE
DATE OF REFERENCE: 5/16/18

Date of Response: May 23. 2018

CONDITION OF RECORDS:

We believe all records from 1/1/17 forward will be prepared in the manner specified.

CUSTOMER DEPOSIT REGISTER

On 1/1/16 the Guarantee Deposit Register was not provided to incoming Clerk Treasurer. Current Clerk Treasurer will follow recommendations from State Board of Accounts and prepare a Guarantee Deposit Register as soon as possible.

DEPOSITS

Current Clerk-Treasurer is in the office on Monday from 1-4 p.m., on Wednesday from 9 a.m.- Noon and Friday from 4-7 p.m. Mail is picked up from post office on those days. Current Clerk-Treasurer deposits checks upon receipt. There may be a lag between date of issuance of a check and date of deposit due to postal delivery schedule. Additionally, funds deposited after 2 p.m. on Friday are shown by bank as credited on Monday. Current Clerk-Treasurer will begin showing date received on incoming checks. State of Indiana has recently begun direct deposit to the General Fund checking account.

CAPITAL ASSET RECORDS

Current Clerk-Treasurer has ordered forms to prepare an accurate inventory.

OFFICIAL RESPONSE
EXAMINATION RESULTS AND COMMENTS
TOWN OF RUSSELLVILLE
DATE OF REFERENCE: 5/16/18
Page 2

RECORD RETENTION:
Current Clerk-Treasurer has ordered Forms 209, 211 and 319.

INTERNAL CONTROL STANDARDS

Attempt will be made to ensure all personnel have received training

Response Prepared By:
Martha Mandleco
Clerk-Treasurer
Town of Russellville

Response Reviewed By:
Cary McGaughey
President, Town Council
Town of Russellville

CLERK-TREASURER
TOWN OF RUSSELLVILLE
EXIT CONFERENCE

The contents of this report were discussed on May 16, 2018, with Martha Mandleco, Clerk-Treasurer, and Cary McGaughey, President of the Town Council.

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TOWN COUNCIL
TOWN OF RUSSELLVILLE

TOWN COUNCIL
TOWN OF RUSSELLVILLE
EXAMINATION RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

Records presented for examination showed that not all personnel and officials have received training on Internal Control Standards.

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."

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Martha Mandleco
Clerk-Treasurer
Town of Russellville

Response Reviewed By:
Cary McGaughey
President, Town Council
Town of Russellville

TOWN COUNCIL
TOWN OF RUSSELLVILLE
EXIT CONFERENCE

The contents of this report were discussed on May 16, 2018, with Cary McGaughey, President of the Town Council, and Martha Mandleco, Clerk-Treasurer.