

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
TOWN OF OSCEOLA
ST. JOSEPH COUNTY, INDIANA
January 1, 2013 to December 31, 2017



FILED
06/29/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Denese Thornburg	01-01-12 to 12-31-19
President of the Town Council	James Loney	01-01-13 to 11-06-13
	Robert Schrock	11-07-13 to 12-31-15
	Brenda Cruz	01-01-16 to 12-31-16
	Debra Davis	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 OSCEOLA, ST. JOSEPH COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Osceola (Town), for the period from January 1, 2013 to December 31, 2017. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statements Audit Report of the Town, which provides our opinions 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 Audit 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 Audit Results and Comments, incorporated within this report, was not verified for accuracy.

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

May 29, 2018

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CLERK-TREASURER
TOWN OF OSCEOLA

CLERK-TREASURER
TOWN OF OSCEOLA
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

There were deficiencies in the internal controls system of the Town related to financial transactions and reporting. The Town had not established proper segregation of duties related to payroll transactions and financial reporting.

Payroll

Time cards were not reviewed by supervisors prior to payroll entry. At the beginning of each year, new payroll salary rates/hourly rates were entered into the payroll software according to the Salary Ordinance. There was no review performed to ensure that amounts were entered correctly.

Financial Reporting

Year-end Fund Reports were reviewed by the Town Council prior to submission to the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source for the Annual Financial Reports and financial statements. The Clerk-Treasurer initiated transmission of the financial statement information into Gateway directly from her computer software without an effective oversight, review, approval, or other compensating control to ensure the accuracy of the information submitted.

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. . . ."

CLERK-TREASURER
TOWN OF OSCEOLA
EXIT CONFERENCE

The contents of this report were discussed on May 29, 2018, with Brenda Cruz, Town Council member, and Denese Thornburg, Clerk-Treasurer.

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TOWN COUNCIL
TOWN OF OSCEOLA

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