

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ROANN

WABASH COUNTY, INDIANA

January 1, 2017 to December 31, 2017



FILED
07/31/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Robert M. Ferguson, Jr.	01-01-12 to 12-31-19
President of the Town Council	James A. Pell	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 ROANN, WABASH COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Roann (Town), for the period from January 1, 2017 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 Statement Audit Report of the Town, which provides our opinions on the Town's financial statement. 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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, was not verified for accuracy.

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

June 20, 2018

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CLERK-TREASURER
TOWN OF ROANN

CLERK-TREASURER
TOWN OF ROANN
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER RECEIPTS AND FINANCIAL CLOSE AND REPORTING

The Town had not separated incompatible activities related to receipts and financial close and reporting. The failure to establish these controls could have enabled material misstatements or irregularities to remain undetected. The following deficiencies constituted material weaknesses:

Receipts

Internal controls over the receipting, recording, and accounting for the financial activities were insufficient. The Town had not established controls to ensure that receipts were recorded properly in the unit records. There were no segregation of duties over receipting as the Clerk-Treasurer posted receipts into the system, reconciled daily receipts, created the deposit slip, and took the deposit to the bank. There were no other review, oversight, or approval processes implemented. Subsequent to the audit period, the Clerk-Treasurer updated the internal controls policy, processes, and procedures for receipts.

Financial Close and Reporting

There was no segregation of duties, such as an oversight or review process, for financial close and reporting processes for the audit period. Subsequent to the audit period, the Clerk-Treasurer updated the internal controls policy, processes, and procedures for financial close and reporting.

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. . . ."

TOWN OF ROANN
EXIT CONFERENCE

The contents of this report were discussed on June 20, 2018, with Robert M. Ferguson, Jr., Clerk-Treasurer, and Peggy Myers, Deputy Clerk-Treasurer.

The contents of this report were discussed on June 25, 2018, with James A. Pell, President of the Town Council.