

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ROSEDALE

PARKE COUNTY, INDIANA

January 1, 2013 to December 31, 2017



FILED
09/17/2018

TABLE OF CONTENTS

| <u>Description</u> | <u>Page</u> |
|---|-------------|
| Schedule of Officials | 2 |
| Transmittal Letter | 3 |
| Town Council: | |
| Audit Result and Comment: | |
| Adoption of and Training on Internal Control Standards..... | 6 |
| Exit Conference | 7 |
| Clerk-Treasurer: | |
| Audit Results and Comments: | |
| Certification on Internal Control Standards | 10 |
| Condition of Records..... | 10-11 |
| Internal Controls..... | 11 |
| Exit Conference | 12 |

SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|--|--|
| Clerk-Treasurer | Adrienne Robinson Natalie J. Montgomery | 01-01-12 to 06-04-18 06-05-18 to 12-31-19 |
| President of the Town Council | John W. McMullen | 01-01-13 to 12-31-18 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF ROSEDALE, PARKE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Rosedale (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 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 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

August 21, 2018

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TOWN COUNCIL
TOWN OF ROSEDALE

TOWN COUNCIL
TOWN OF ROSEDALE
AUDIT 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.

Not all Town personnel received training on internal controls. A listing of personnel who received training was presented for audit, but only three employees had signed the listing certifying that they had participated. All other employees' names were marked through as if they had not received the training. The current Clerk-Treasurer, who is a former Town Council member, reported that she had been asked to watch the video and had done so, but her name was not included in the listing.

Indiana Code 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."

TOWN COUNCIL
TOWN OF ROSEDALE
EXIT CONFERENCE

The contents of this report were discussed on August 21, 2018, with Natalie J. Montgomery, Clerk-Treasurer; John W. McMullen, President of the Town Council; Carol Brown, Town Council member; and Adrienne Robinson, former Clerk-Treasurer.

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CLERK-TREASURER
TOWN OF ROSEDALE

CLERK-TREASURER
TOWN OF ROSEDALE
AUDIT RESULTS AND COMMENTS

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The Clerk-Treasurer indicated on the Annual Financial Report for 2016 and 2017, that acceptable minimum internal control standards had been adopted and that all employees were trained. However, standards were not officially adopted by the Town Council and documentation of employee training was incomplete.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

CONDITION OF RECORDS

The following issues were identified with the condition of the Town's records:

- A state distribution check was posted entirely to the Motor Vehicle Highway fund. The check included amounts for the Motor Vehicle Highway fund (\$2,302.37), the Local Road & Street fund (\$218.69), and the General fund (\$402.48).
- A Town and City Court costs check, dated December 13, 2016, was not posted until May 1, 2017.
- The following distributions from the County Auditor were posted to the incorrect fund:

| Description | Amount | Years | Fund Posted to | Correct Fund |
|-------------------------|-------------|-------|-----------------|-------------------------|
| CEDIT Fund Distribution | \$ 7,593.23 | 2013 | General Fund | Economic Dev Incomt Tax |
| LOIT Levy Freeze | 15,711.23 | 2016 | Public Safety | General Fund |
| LIT Levy Freeze | 10,550.50 | 2017 | Lew Excess Fund | General Fund |
| Surtax/Wheel tax | 848.67 | 2017 | General Fund | Motor Vehicle Highway |

Adjustments were not made for these fund posting errors; however, the amount of errors was not material to the financial statements, and the total receipts and disbursements were not affected.

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF ROSEDALE
AUDIT RESULTS AND COMMENTS
(Continued)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

INTERNAL CONTROLS

Internal controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. There was no segregation of duties for the significant audit areas. The Clerk-Treasurer performed all the daily activities such as: completed the bank reconciliation, issued receipts, issued checks, posted checks, and processed payroll. There was no evidence of an oversight, review, or approval process.

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 ROSEDALE
EXIT CONFERENCE

The contents of this report were discussed on August 21, 2018, with Natalie J. Montgomery, Clerk-Treasurer; John W. McMullen, President of the Town Council; Carol Brown, Town Council member; and Adrienne Robinson, former Clerk-Treasurer.