

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF EDGEWOOD

MADISON COUNTY, INDIANA

January 1, 2013 to December 31, 2017



FILED
09/28/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Katherine L. Tanner	01-01-13 to 12-31-19
President of the Town Council	Patricia A. Farran	01-01-13 to 12-31-18
Superintendent of Utilities	Owen L. Kirby (Vacant) Thomas A. Brewer	01-01-13 to 06-30-16 07-01-16 to 07-12-16 07-13-16 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of the Town of Edgewood (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 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 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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CLERK-TREASURER
TOWN OF EDGEWOOD

CLERK-TREASURER
TOWN OF EDGEWOOD
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Report B42810.

During the audit period, the General Fund was overdrawn by \$82,480, \$105,018, \$79,024, \$55,645, and \$18,539 as of December 31, 2013, 2014, 2015, 2016, and 2017, 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)

INTERNAL CONTROLS

The Town had not implemented an internal control system with proper segregation of duties over cash and investments, receipts, and financial transactions and reporting.

Cash and Investments

There was no review of the monthly bank reconcilements by someone other than the individual preparing the reconcilements.

Receipts

One individual was involved in every aspect of the receipting process including receiving cash, posting to customer accounts and the ledger, preparing bank deposits, depositing cash, and reconciling the bank statements.

Financial Close and Reporting

One individual was responsible for uploading data from the accounting software to the Gateway Annual Financial Report for public entities without a review or approval process by another individual.

In addition, prior period audit adjustments were not recorded causing fund balances reported during the audit period to be incorrect. There were also current audit period adjustments for incorrectly receipting investments and incorrectly recording the 2013 Court Fund receipts and disbursements. These errors caused fund balances reported during the audit period to be incorrect.

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 EDGEWOOD
EXIT CONFERENCE

The contents of this report were discussed on August 21, 2018, with Katherine L. Tanner, Clerk-Treasurer, and Patricia A. Farran, President of the Town Council.