

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF YORKTOWN

DELAWARE COUNTY, INDIANA

January 1, 2016 to December 31, 2017



FILED
10/19/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Beth A. Neff	01-01-15 to 12-31-18
President of the Town Council	Richard Lee	01-01-16 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE TOWN OF YORKTOWN, DELAWARE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Yorktown (Town), for the period from January 1, 2016 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 opinion 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

September 21, 2018

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CLERK-TREASURER
TOWN OF YORKTOWN

CLERK-TREASURER
TOWN OF YORKTOWN
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to cash and investments, receipts, payroll disbursements, and financial reporting.

- Cash and Investments - There were no controls in place, such as an oversight, review, or approval of the bank reconciliation process. This resulted in bank reconciliations not being completed timely and accurately.
- Receipts - The receiving, posting, and depositing functions were not properly segregated between employees.
- Payroll Disbursements - The timesheets for the Town Manager were prepared and approved by the Town Manager. There was no documentation of controls in place, such as an oversight, review, or approval process.
- Financial Reporting - The Clerk-Treasurer completed and filed the Annual Financial Report (AFR), which was the source for the financial statement. There were no controls in place, such as an oversight, review, or approval process. This resulted in material errors on the financial statement remaining undetected. The AFR and financial statement contained the following errors:
 - The beginning cash and investment balances were understated by \$610,032 due to posting errors and trust funds that were not included.
 - Receipts were understated by \$3,122,023 due to trust fund activity that was not included, posting errors, and bank transfers that were improperly included.
 - Disbursements were overstated by \$361,008 due to trust fund activity that was not included, posting errors, and bank transfers that were improperly included.

Audit adjustments were proposed, accepted by the Town, and made to the AFR and financial statement.

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

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. . . ."

BANK ACCOUNT RECONCILIATIONS

A similar comment appeared in prior Report B47143, entitled *BANK ACCOUNT RECONCILIATIONS*.

Bank reconciliations were not performed monthly during the audit period. A consultant was hired after the audit period to perform the 2016 and 2017 monthly reconcilements.

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."

CLERK-TREASURER
TOWN OF YORKTOWN
EXIT CONFERENCE

The contents of this report were discussed on September 21, 2018, with Beth A. Neff, Clerk-Treasurer; Richard Lee, President of the Town Council; Robert Ratchford, Town Council member; Michael Burke, Town Council member; and Peter Olson, Town Manager.

TOWN COUNCIL
TOWN OF YORKTOWN

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AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

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TOWN OF YORKTOWN
AUDIT RESULTS AND COMMENTS
(Continued)

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OVERPAYMENT OF LEAVE TIME

One employee was paid for vacation leave in excess of the leave allowed, per the Town's Vacation Policy. The employee was paid for four vacation days more than allowed, which resulted in an overpayment of \$666.

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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