

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF BROOKLYN

MORGAN COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED
10/26/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Karen Howard-Frentress	01-01-12 to 12-31-19
President of the Town Council	Melissa Bryant	01-01-12 to 12-31-12
	Ken Hayden	01-01-13 to 12-31-13
	Melissa Bryant	01-01-14 to 12-31-14
	Barbara J. Lowhorn	01-01-15 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF BROOKLYN, MORGAN COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Brooklyn (Town), for the period from January 1, 2012 to December 31, 2012. 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 20, 2018

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CLERK-TREASURER
TOWN OF BROOKLYN

CLERK-TREASURER
TOWN OF BROOKLYN
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

The 2012 Annual Financial Report (AFR) was due on March 1, 2013, but was submitted on May 7, 2013, which was 67 days past the due date.

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](#)."

INTERNAL CONTROLS

The Town did not have a proper system of internal controls in place related to financial transactions and reporting. The Town had not separated incompatible activities related to bank reconcilements, vendor claims, and financial reporting. The failure to establish adequate internal controls could have enabled misstatements or irregularities to remain undetected.

There was not sufficient oversight of the monthly bank reconcilements. One employee was responsible for completing the bank reconcilements without evidence of oversight or review.

There was not sufficient oversight of the issuance of vendor claims. One employee was responsible for approving vendor claims, posting the claims to the records and writing the checks. In addition, claims were approved by the Town Council at the next regularly scheduled public meeting after the claims were already paid.

There was not sufficient oversight of the submission of the AFR. One employee was responsible for completing and submitting the AFR evidence of oversight and review.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

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

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns in effect for 2012, Chapter 7)

Effective July 1, 2015, 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. . . ."

Indiana Code 5-11-10-2(a) states:

"Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

CLERK-TREASURER
TOWN OF BROOKLYN
EXIT CONFERENCE

The contents of this report were discussed on September 20, 2018, with Karen Howard-Frentress, Clerk-Treasurer, and Barbara J. Lowhorn, President of the Town Council.