

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF PATRIOT

SWITZERLAND COUNTY, INDIANA

January 1, 2013 to December 31, 2017



FILED
10/31/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Linda Fisk	01-01-12 to 12-31-19
President of the Town Council	Robert Robinson Sarah Huffman Elizabeth Thomas	01-01-13 to 01-31-16 02-01-16 to 03-31-16 04-01-16 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF PATRIOT, SWITZERLAND COUNTY, INDIANA

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

September 25, 2018

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CLERK-TREASURER
TOWN OF PATRIOT

CLERK-TREASURER
TOWN OF PATRIOT
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment appeared in prior Report B43425, entitled *FINDING 2012-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

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 cash and investments, receipts, and financial reporting.

Receipts

A verification of receipts to deposits was performed by someone other than the employee responsible for issuing receipts and preparing the deposits; however, that verification was not documented.

Cash and Investments

The Deputy Clerk-Treasurer was solely responsible for performing monthly bank reconciliations. There was no documentation of a control in place that would prevent or detect errors.

Financial Reporting

The Clerk-Treasurer prepared and submitted the annual financial information in the Gateway for Government Units financial reporting system, which was the source for the Annual Financial Reports (AFR) and financial statements. There was no control in place, such as an oversight, review, or approval process to ensure that the information submitted was accurate.

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:

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

"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. . . ."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The Clerk-Treasurer certified on the AFR for 2016 and 2017 that the Town's required personnel had received training over internal control standards in accordance with Indiana Code 5-11-1-27(g). However, the Town did not provide the required training.

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](#)."

CLERK-TREASURER
TOWN OF PATRIOT
EXIT CONFERENCE

The contents of this report were discussed on September 25, 2018, with Linda Fisk, Clerk-Treasurer; Elizabeth Thomas, President of the Town Council; and Joey Duckworth, Superintendent of Utilities.

TOWN COUNCIL
TOWN OF PATRIOT

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AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

The Town failed to provide training to personnel over the internal control standards adopted as required by Indiana Code 5-11-1-27(g).

Indiana Code 5-11-1-27(g) states in part:

". . . the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

TOWN COUNCIL
TOWN OF PATRIOT
EXIT CONFERENCE

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