

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
TOWN OF BATTLE GROUND  
TIPPECANOE COUNTY, INDIANA  
January 1, 2014 to December 31, 2017



**FILED**  
11/24/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Phyllis Hall Georgia Jones	01-01-14 to 04-17-15 04-18-15 to 12-31-19
President of the Town Council	Steven C. Egly	01-01-14 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF BATTLE GROUND, TIPPECANOE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Battle Ground (Town), for the period from January 1, 2014 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](http://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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, was not verified for accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

October 11, 2018

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CLERK-TREASURER  
TOWN OF BATTLE GROUND

CLERK-TREASURER  
TOWN OF BATTLE GROUND  
AUDIT RESULT AND COMMENT

**INTERNAL CONROLS**

The same comment also appeared in prior Report B43809, entitled *FINDING 2013-001 - 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 established an effective internal control system that had separated incompatible activities related to cash and investments, receipts, payroll disbursements, and financial reporting.

*Cash and Investments*

The Clerk-Treasurer performed the monthly bank reconciliations without a documented oversight or review process in place.

*Receipts*

The Deputy Clerk-Treasurer recorded and reconciled the receipts without a documented oversight or approval process.

*Payroll Disbursements*

The Clerk-Treasurer prepared and recorded the payroll disbursements without a documented oversight, review, or approval process.

*Financial Reporting*

The Clerk-Treasurer prepared and submitted the financial information into the Annual Financial Report (AFR) through the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the financial statements. There was no evidence of an oversight, review, or approval process to ensure that the information was accurate before submission.

The financial statements presented for audit did not contained the following funds, and the related activity, for 2014, 2015, and 2016.

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14
BATTLE GROUND BOWEN ENGINEERING RETAINAGE	\$ 133,988	\$ -	\$ 133,988	\$ -
SRF BATTLE GROUND BOND AND INTEREST	131,806	141,000	159,607	113,199
SRF BATTLE GROUND DEBT SERVICE RESERVE	50,706	28,170	-	78,876
SRF BATTLE GROUND CONSTRUCTION	244,500	-	244,500	-
Totals	<u>\$ 561,000</u>	<u>\$ 169,170</u>	<u>\$ 538,095</u>	<u>\$ 192,075</u>

CLERK-TREASURER  
TOWN OF BATTLE GROUND  
AUDIT RESULT AND COMMENT  
(Continued)

Fund	Cash and Investments 01-01-15	Receipts	Disbursements	Cash and Investments 12-31-15
SRF BATTLE GROUND BOND AND INTEREST	\$ 113,199	\$ 144,393	\$ 173,592	\$ 84,000
SRF BATTLE GROUND DEBT SERVICE RESERVE	<u>78,876</u>	<u>42,255</u>	<u>-</u>	<u>121,131</u>
Totals	<u>\$ 192,075</u>	<u>\$ 186,648</u>	<u>\$ 173,592</u>	<u>\$ 205,131</u>

Fund	Cash and Investments 01-01-16	Receipts	Disbursements	Cash and Investments 12-31-16
SRF BATTLE GROUND BOND AND INTEREST	\$ 84,000	\$ 168,773	\$ 168,215	\$ 84,558
SRF BATTLE GROUND DEBT SERVICE RESERVE	<u>121,131</u>	<u>34,040</u>	<u>-</u>	<u>155,171</u>
Totals	<u>\$ 205,131</u>	<u>\$ 202,813</u>	<u>\$ 168,215</u>	<u>\$ 239,729</u>

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

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 5-11-1-4(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](#)."

# Town of Battle Ground

Box 303

Battle Ground, Indiana 47920

Phone (765) 567-2603

Todd Caldwell, CFE  
Director of Audit Services  
Indiana State Board of Accounts

## Official Response Regarding Internal Controls

This is a response to the results and comments contained in the draft exit interview for Town of Battle Ground, for the period 01/01/2014 to 12/31/2017.

The desired operation would have three or more individuals providing oversight to the receiving, posting, deposit and reconciling of revenue. The Town of Battle Ground has one billing clerk (deputy) in addition to the Clerk-Treasurer. At times, only one person is available in the office to cover all the daily functions of receiving payments, posting to customer accounts, taking a deposit to the bank, and writing checks for accounts payable. Our approved office action plan must be workable in this reality.

The unit has two distinct Keystone software packages that require manual data entry. The Billing package allows the deputy to post payments to customer accounts and provides a report of total utilities income. The deputy creates a bank deposit from the posting report, attaching check images or sequentially numbered cash receipt coupons for miscellaneous revenue. She deposits the funds, because if the bank finds a check they can't process, the deputy must return to the computer and make a correction prior to final posting of the day's activity. When she is off, then I use the same procedure.

We have started to document that our work is reviewed by the other person, in addition to the haphazard and unannounced oversight of the Town Council. Either of us might be responsible for the total deposit each day, with oversight by the other on the next scheduled day. Using the sequentially numbered cash receipts means our customers always have proof of payment, that nothing is missing from their accounts or their misc payments.

The Clerk-Treasurer uses a separate software package to manually enter deposit information as revenue, to be reconciled to the bank statement. The total must match the posting report plus cash receipt coupons. The amounts are verified to the bank online account information around the 15<sup>th</sup> of each month and again around the 25<sup>th</sup> to review there is no error, which helps expedite the end of month reconciliation.

This created revenue report verifies the bank deposit in cash/coin/check amounts. The deputy does not see this information until it is time for reconciliation. Even though we don't have a third person in the office for daily monitoring, the amounts must match the utility postings and the numbered receipts or the monthly reconciliation will be impossible. The periodic documented review by the Deputy and Clerk, plus documented haphazard reviews by the Town Council will ensure errors do not persist nor fraud allowed.

Georgia Jones

*GJ* 10/25/2018  
*Peppercorn Battle Ground*

TOWN OF BATTLE GROUND  
EXIT CONFERENCE

The contents of this report were discussed on October 11, 2018, with Georgia Jones, Clerk-Treasurer; Rondell Holladay, Town Supervisor; and Steven C. Egly, President of the Town Council.