

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF BICKNELL

KNOX COUNTY, INDIANA

January 1, 2014 to December 31, 2016



FILED
12/13/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rebecca L. McGlone	01-01-12 to 12-31-19
Mayor	Jon G. Flickinger Thomas L. Estabrook	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President of the Board of Public Works	Jon G. Flickinger Thomas L. Estabrook	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President Pro Tempore of the Common Council	Terry L. Stremming Richard R. Byrer Frank R. Gugliotta Richard R. Byrer	01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-18
Superintendent of Water Utility	Earl E. Horst	01-01-14 to 12-31-18
Superintendent of Wastewater Utility	William E. Soltwedel	01-01-14 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF BICKNELL, KNOX COUNTY, INDIANA

This report is supplemental to our audit report of the City of Bicknell (City), for the period from January 1, 2014 to December 31, 2016. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statements Audit Report of the City, which provides our opinion on the City'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

October 30, 2018

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CLERK-TREASURER
CITY OF BICKNELL

CLERK-TREASURER
CITY OF BICKNELL
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

A similar comment also appeared in the prior Report B4456, entitled *FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

There were deficiencies in the internal control system for the City related to financial transactions and reporting. There were no segregation of duties as the City had not separated incompatible activities related to reporting and receipts.

Reporting

Effective controls had not been developed over the reporting process. The Clerk-Treasurer completed and filed the Annual Financial Reports (AFR); there was no evidence of a review or approval process to verify that the reports were accurate.

Receipts

Effective controls had not been developed over the receipting process. The Clerk-Treasurer issued city and utility receipts, prepared and made deposits, and posted the receipts to the ledger. There was no evidence of a review or approval process to verify that the receipts were accurate and properly recorded in the ledger.

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.

CLERK-TREASURER
CITY OF BICKNELL
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . ."

ANNUAL FINANCIAL REPORT

The AFRs filed for 2014, 2015, and 2016 were incomplete. The reports did not include the receipts, disbursements, and ending cash and investment balances for the Wastewater State Revolving Fund funds. Adjustments to the financial statements were proposed to management in order to reflect the aforementioned transactions. The adjustments were approved by and made to the financial statements by the City.

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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
CITY OF BICKNELL
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2018, with Rebecca L. McGlone, Clerk-Treasurer; Thomas L. Estabrook, Mayor; and Richard R. Byrer, President Pro Tempore of the Common Council.