

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF LINDEN

MONTGOMERY COUNTY, INDIANA

January 1, 2013 to December 31, 2017



FILED

12/14/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janet Heide	01-01-12 to 12-31-19
President of the Town Council	Wade Bennett	01-01-13 to 12-31-15
	Paul Buckles	01-01-16 to 12-31-16
	Andrew Traylor	01-01-17 to 12-31-17
	Wade Bennett	01-01-18 to 12-31-18
Superintendent of Utilities	Earl Heide	01-01-13 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF LINDEN, MONTGOMERY COUNTY, INDIANA

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

November 1, 2018

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CLERK-TREASURER
TOWN OF LINDEN

CLERK-TREASURER
TOWN OF LINDEN
AUDIT RESULT AND COMMENT

INTERNAL CONTROL OVER FINANCIAL TRANSACTIONS AND REPORTING

There were several deficiencies in the internal control system of the Town related to cash and investments, receipts, and financial transactions and reporting.

Cash and Investments

One employee was responsible for performing the reconciliation of the depository account balance with the record balance. There were no controls in place, such as an oversight, review, or approval process of the bank reconciliations.

Receipts

One employee was responsible for issuing the receipts for funds received and preparing the daily deposits for the bank accounts. There were no controls in place, such as oversight, review, or approval of the daily deposits.

Financial Transactions and Reporting

The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the financial statements. There were not adequate controls to ensure the accuracy of the transactions included in the records and reported in the financial statements. Due to the lack of controls, the Town's financial statement contained the following errors:

1. The beginning balances of the following funds were included in the receipts, causing an understatement of beginning balances and an overstatement of receipts in the amount of \$2,518,386: Wastewater Bond- SRF 105356, Wastewater Bond - SRF 105355, Water SRF 105327, Water SRF 314909, Water SRF 314908, and Water SRF 105328.
2. Disbursements were overstated for Wastewater Sinking and Water Operating totaling \$140,595.

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. . . ."

CLERK-TREASURER
TOWN OF LINDEN
EXIT CONFERENCE

The contents of this report were discussed on November 1, 2018, with Janet Heide, Clerk-Treasurer, and Wade Bennett, President of the Town Council.