

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF BEECH GROVE

MARION COUNTY, INDIANA

January 1, 2014 to December 31, 2017



**FILED**  
01/11/2019



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#### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Daniel McMillan	01-01-12 to 12-31-19
Mayor	Dennis Buckley	01-01-12 to 12-31-19
President of the Board of Public Works and Safety	Dennis Buckley	01-01-12 to 12-31-19
President Pro Tempore of the Common Council	Edward Bell Buddy Templin	01-01-14 to 12-31-15 01-01-16 to 12-31-18



# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF BEECH GROVE, MARION COUNTY, INDIANA

This report is supplemental to our audit report of the City of Beech Grove (City), 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 City. It should be read in conjunction with our Financial Statements Audit Report, which provides our opinion on the City'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 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

November 27, 2018

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COMMON COUNCIL  
CITY OF BEECH GROVE

COMMON COUNCIL  
CITY OF BEECH GROVE  
AUDIT RESULT AND COMMENT

***TRAINING ON INTERNAL CONTROL STANDARDS***

City personnel whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the City, had not received training over internal control standards that were adopted by the City.

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

"After June 30, 2016, 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."



COMMON COUNCIL  
CITY OF BEECH GROVE  
EXIT CONFERENCE

The contents of this report were discussed on November 27, 2018, with Dennis Buckley, Mayor; Daniel McMillan, Clerk-Treasurer; Chris Duffer, Common Council member; and Buddy Templin, President Pro Tempore of the Common Council.

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CLERK-TREASURER  
CITY OF BEECH GROVE

CLERK-TREASURER  
CITY OF BEECH GROVE  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

There were deficiencies in the internal control system of the City related to financial transactions and reporting. The City had not separated incompatible activities related to cash and investments and receipts.

Cash and Investments - There were no controls in place, such as an oversight, review, or approval of the bank reconciliation process.

Receipts - The receiving, posting, and depositing functions were not adequately segregated between employees.

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. . . ."

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

The Clerk-Treasurer certified on the Annual Financial Reports (AFR) for 2016 and 2017 that it had adopted the minimum internal control standards as required by Indiana Code 5-11-1-27(e) and that all personnel as defined by Indiana Code 5-11-1-27(c) had received training concerning the internal control standards adopted by the City. However, during the engagement, the Clerk-Treasurer indicated that all personnel had not received training concerning the internal control standards. Therefore, the AFRs were incorrect as submitted.

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 BEECH GROVE  
EXIT CONFERENCE

The contents of this report were discussed on November 27, 2018, with Dennis Buckley, Mayor; Daniel McMillan, Clerk-Treasurer; Chris Duffer, Common Council member; and Buddy Templin, President Pro Tempore of the Common Council.