

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF CROTHERSVILLE

JACKSON COUNTY, INDIANA

January 1, 2014 to December 31, 2017



FILED
01/18/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Michele Teipen Terry L. Richey	01-01-12 to 01-10-14 01-11-14 to 12-31-19
President of the Town Council	Ardell Mitchell Lenvel Robinson Danieta Foster	01-01-12 to 12-31-15 01-01-16 to 12-31-17 01-01-18 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF CROTHERSVILLE, JACKSON COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Crothersville (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.

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

December 3, 2018

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CLERK-TREASURER
TOWN OF CROTHERSVILLE

CLERK-TREASURER
TOWN OF CROTHERSVILLE
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in prior Report B45342, entitled *2013-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

The Town did not have sufficient internal controls in place over financial transactions and recording. We identified the following issues:

Annual Financial Reports

The Town had not established effective internal controls over activities related to the Annual Financial Reports (AFR) and financial statements. The Town's financial information was entered in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the AFR and the financial statements. Information entered into Gateway was not reviewed and approved by someone other than the person entering the data.

The following AFR errors were identified:

1. The amount reported as the beginning balance at January 1, 2014, for some funds, did not always agree with the ending balance reported at December 31, 2013.
2. The transactions and balances of the Payroll fund were omitted for 2014, 2015, 2016, and 2017.
3. Disbursements of the Water Utility Depreciation fund were not reported for 2014.
4. The transactions and balances of the Community Grant fund were not reported for 2014.
5. The transactions and balances of the Police fund were not reported for 2015 and 2016.
6. Disbursements reported for the Water Utility-Operating fund did not agree to the amount reported in the ledger.

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

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](#)."

Bank Account Reconciliations

There were no controls in place to ensure monthly bank reconciliations were being performed and approved.

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

Monthly reconciliations of the fund balances to the bank depository account balances were not presented for the audit period. During 2018, the Town contracted with an outside contractor to perform reconciliations for December 31, 2014, 2015, 2016, and 2017. Those reconciliations as presented were incomplete and contained the following errors:

1. Incomplete listing of outstanding checks.
2. Deposits in transit not properly identified.
3. Deposits not receipted not properly identified.
4. Interest earned on accounts not properly identified.

We compiled a combined reconciliation for December 31 of each year of the audit period based on the individual account reconciliations prepared by the consultant and other information obtained during the audit. After adjusting the reconciliations for the various errors identified, there were remaining unidentified variances between the bank balance and the ledger balance of (\$2,008), (\$13,678), (\$9,488), and \$1,410 as of December 31, 2014, 2015, 2016, and 2017, respectively.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Receipts

One employee in the Clerk-Treasurer's office is responsible for issuing receipts, making deposits, and posting receipt transactions. The activity related to receipts were not being reviewed or verified by someone other than the employee performing these activities.

We conducted a test designed to verify that receipts were issued at the time the transactions occurred. We noted instances in which receipts for state distributions were not issued at the time of the EFT deposit. The receipts were issued and posted at a later date, but were back dated to appear as if it was receipted at the time of the EFT deposit. We noted receipts that were written 13 to 78 days after the EFT deposit.

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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)

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

Payroll Disbursements

Sufficient internal controls were not in place over payroll disbursements as related to the review and approval of time records for the various Town department heads. Department heads approved their own time records without any oversight or review process.

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. . . ."

MOVING TRAFFIC VIOLATIONS

The Town collected fines for moving traffic violations without being properly established as a Traffic Violations Bureau in accordance with Indiana Code 34-28-5-7. None of these moving traffic violations were processed through a court system and court costs were not charged. The fines collected by year during the audit period and subsequently through November 14, 2018, were as follows:

<u>Years</u>	<u>Amount</u>
2014	\$ 1,738
2015	4,190
2016	2,355
2017	1,803
2018	<u>1,515</u>
Total	<u>\$ 11,601</u>

On November 14, 2018, Town officials agreed to remit the collections noted above to the State of Indiana and to discontinue collecting moving traffic violations in the manner described above.

Indiana Code 36-1-6-3(c) states: "An ordinance defining a moving traffic violation may not be enforced under IC 33-36 and must be enforced in accordance with [IC 34-28-5](#)."

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

The accounts of each public official and public office should reflect the proper treatment of fines collected for moving traffic violations as required by Indiana Code § 36-1-6-3(c), Indiana Code Ch. 34-28-5, and this Directive. Failure to do so will result in a civil action against those public officials who are responsible for the improper enforcement and collection of fines for moving traffic violations as allowable by law. (State Examiner Directive 2015-1)

CLERK-TREASURER
TOWN OF CROTHERSVILLE
EXIT CONFERENCE

The contents of this report were discussed on December 3, 2018, with Terry L. Richey, Clerk-Treasurer; Danieta Foster, President of the Town Council; Michele Teipen, Deputy Clerk-Treasurer; Brenda Holzworth, Town Council member; and Lenvel Robinson, Town Council member.

TOWN COUNCIL
TOWN OF CROTHERSVILLE

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AUDIT RESULT AND COMMENT

MOVING TRAFFIC VIOLATIONS

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