

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF VERNON

JENNINGS COUNTY, INDIANA

January 1, 2014 to December 31, 2017



**FILED**  
02/01/2019



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Clerk-Treasurer:	
Audit Results and Comments:	
Internal Controls over Financial Transactions and Reporting.....	6
Certification on Internal Control Standards .....	6
Official Response.....	7
Exit Conference .....	8
Town Council:	
Audit Result and Comment:	
Adoption and Training on Internal Control Standards.....	10
Official Response.....	11
Exit Conference .....	12

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Marietta Jean Rockey	03-01-12 to 03-01-19
Mayor	Dan Wright	03-01-12 to 03-01-19



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE TOWN OF VERNON, JENNINGS COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Vernon (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 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 13, 2018

(This page intentionally left blank.)

CLERK-TREASURER  
TOWN OF VERNON

CLERK-TREASURER  
TOWN OF VERNON  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

There were deficiencies in the Town's internal controls related to segregation of duties. The Town had not separated incompatible activities related to cash, receipts, disbursements, and financial close and reporting. The Clerk-Treasurer was primarily responsible for collecting, recording, and depositing Town receipts; writing and posting checks; completing the bank reconciliation; and preparing and submitting the Annual Financial Report (AFR) financial information in the Indiana Gateway for Government Units financial reporting system. There were no controls in place, such as an oversight, review, or approval 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. . . ."

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

For the AFRs filed for 2016 and 2017, the Clerk-Treasurer certified that internal control standards were adopted by the Town Council and that Town personnel had received training on the internal control standards. During the audit, we were able to determine the Town had not adopted internal control standards or provided the required training. Therefore, the AFRs were incorrect.

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 Vernon

Founded in 1815

December 20, 2018

State Board of Accounts  
302 Washington Street, Room E418  
Indianapolis, IN 46204-2765

Regarding: **OFFICIAL RESPONSE** to Town of Vernon; audit period of January 1, 2014-  
December 13, 2017; **Exit Conference of December 13, 2018**

To Whom It May Concern:

In response to the Exit Conference held on December 13, 2018, we would like to formally respond to the following items.

**1. Internal Controls**

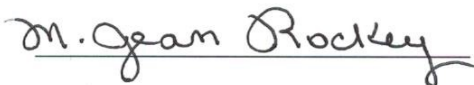
- a. **Financial Transactions and Reporting:** Segregation of duties for the Clerk/Treasurer – a policy will be written outlining the *oversight, review, or approval process* and presented to the council for adoption/implementation.
- b. **Certification of Internal Control Standards:** A policy will be written and presented to the Town Council for adoption/implementation to address the current training process already in use by the Town Council. Internal Control standards were adopted and Town Council personnel already follow an annual training process for Internal Controls and Nepotism.

**2. Management Letter**

- a. **No Credit Card Policy:** A credit card policy will be written and presented to the Town Council for adoption/implementation.

Please attach and submit this OFFICIAL RESPONSE with our completed report.

Sincerely,



M. Jean Rockey, Clerk/Treasurer



Shelly Davers, 1<sup>st</sup> Ward Council Representative



Daniel W. Wright, Mayor

P.O. Box 233

Vernon, IN 47282

Phone: (812)346-7438

CLERK-TREASURER  
TOWN OF VERNON  
EXIT CONFERENCE

The contents of this report were discussed on December 13, 2018, with Marietta Jean Rockey, Clerk-Treasurer, and Shelly Davers, Town Council member.

TOWN COUNCIL  
TOWN OF VERNON

TOWN COUNCIL  
TOWN OF VERNON  
AUDIT RESULT AND COMMENT

***ADOPTION AND TRAINING ON INTERNAL CONTROL STANDARDS***

The Town had not adopted the minimum internal control standards required by statute. The Town Council also had not provided the required training on internal control standards to Town personnel.

Indiana 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

# Town of Vernon

Founded in 1815

December 20, 2018

State Board of Accounts  
302 Washington Street, Room E418  
Indianapolis, IN 46204-2765

Regarding: **OFFICIAL RESPONSE** to Town of Vernon; audit period of January 1, 2014-  
December 13, 2017; **Exit Conference of December 13, 2018**

To Whom It May Concern:

In response to the Exit Conference held on December 13, 2018, we would like to formally respond to the following items.

**1. Internal Controls**

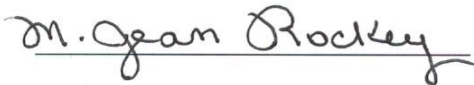
- a. **Financial Transactions and Reporting:** Segregation of duties for the Clerk/Treasurer – a policy will be written outlining the *oversight, review, or approval process* and presented to the council for adoption/implementation.
- b. **Certification of Internal Control Standards:** A policy will be written and presented to the Town Council for adoption/implementation to address the current training process already in use by the Town Council. Internal Control standards were adopted and Town Council personnel already follow an annual training process for Internal Controls and Nepotism.

**2. Management Letter**

- a. **No Credit Card Policy:** A credit card policy will be written and presented to the Town Council for adoption/implementation.

Please attach and submit this OFFICIAL RESPONSE with our completed report.

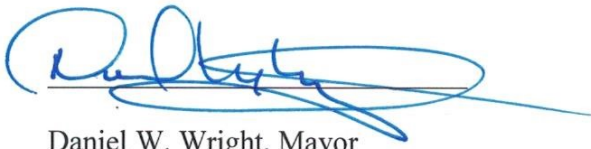
Sincerely,



M. Jean Rockey, Clerk/Treasurer



Shelly Davers, 1<sup>st</sup> Ward Council Representative



Daniel W. Wright, Mayor

P.O. Box 233

Vernon, IN 47282

Phone: (812)346-7438

TOWN COUNCIL  
TOWN OF VERNON  
EXIT CONFERENCE

The contents of this report were discussed on December 13, 2018, with Marietta Jean Rockey, Clerk-Treasurer, and Shelly Davers, Town Council member.