

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF EATON

DELAWARE COUNTY, INDIANA

January 1, 2013 to December 31, 2017



FILED
02/14/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Vicki Hargis	01-01-13 to 12-31-19
President of the Town Council	Lowan T. Hicks Daniel Blankenship	01-01-13 to 12-31-16 01-01-17 to 12-31-18



STATE OF INDIANA
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TO: THE OFFICIALS OF THE TOWN OF EATON, DELAWARE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Eaton (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 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 19, 2018

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CLERK-TREASURER
TOWN OF EATON

CLERK-TREASURER
TOWN OF EATON
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not established an effective internal control system to detect and correct, or prevent, material misstatements related to cash and investments, receipts, and financial reporting.

Cash and Investments

The Deputy Clerk-Treasurer performed the monthly bank reconciliations and the Clerk-Treasurer reviewed and approved. However, there was no audit evidence presented that would confirm the appropriate reviews were performed.

Receipts

The Deputy Clerk-Treasurer and Clerk-Treasurer recorded and deposited receipts without a documented oversight or approval process.

Financial Reporting

The Clerk-Treasurer prepared and submitted the financial information into the Annual Financial Report through the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statements. There was no evidence of an oversight, review, or approval process, to ensure that the information was accurate before submission.

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 EATON
EXIT CONFERENCE

The contents of this report were discussed on December 19, 2018, with Vicki Hargis, Clerk-Treasurer, and Daniel Blankenship, President of the Town Council.

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TOWN COUNCIL
TOWN OF EATON

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TOWN OF EATON
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

The Town did not provide training on internal control standards to personnel as required by statute.

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."

TOWN COUNCIL
TOWN OF EATON
EXIT CONFERENCE

The contents of this report were discussed on December 19, 2018, with Vicki Hargis, Clerk-Treasurer, and Daniel Blankenship, President of the Town Council.