

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ROCKVILLE

PARKE COUNTY, INDIANA

January 1, 2014 to December 31, 2017



FILED
02/20/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Stephany M. Dowd Mark Spelbring	04-14-12 to 12-31-14 01-01-15 to 12-31-18
President of the Town Council	Dr. Steven G. Waltz Parke Swaim Liddy Dowd-Wright	01-01-14 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-18



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

TO: THE OFFICIALS OF THE TOWN OF ROCKVILLE, PARKE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Rockville (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 20, 2018

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CLERK-TREASURER
TOWN OF ROCKVILLE

CLERK-TREASURER
TOWN OF ROCKVILLE
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

A similar comment also appeared in prior Report B48813, entitled *FINDING 2013-001 - INTERNAL CONTROL OVER FINANCIAL TRANSACTIONS AND RECORDING* and prior Report B40843, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

Cash and Investments

Controls for bank reconciliations were properly designed, but had not been properly implemented. Bank reconciliations and fund reports were not presented to and reviewed by the Town Council at a public meeting for March 2014, June 2014, July 2015, and September 2015.

The management of the Town determined that the Deputy Clerk-Treasurer would review and initial the bank reconciliations. The control was not applied consistently in 2014 and 2015 and was discontinued in 2016 and 2017.

Receipts

The Town had not separated incompatible activities related to receipts and utility billings and collections. The Town had one cash drawer which was used by all three employees in the office. A Cash Summary report was printed at the end of the day, but no one reviewed the report to make sure it matched the deposit made for the day, except for the person preparing the deposit.

Disbursements

The management of the Town had implemented a control wherein the claims dockets was to be reviewed and approved by the Clerk-Treasurer and the governing body. This control was not consistently applied during the audit period.

In 2017, the management of the Town implemented a control, wherein, employee time cards would be reviewed and approved by the supervisors. Prior to 2017, no control had been implemented.

Financial Close and Reporting

The Town had not identified risks to the preparation of reliable financial statements and, as a result, failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements. The Clerk-Treasurer compiled and entered financial information for the Annual Financial Report (AFR) into the Indiana Gateway for Government Units financial reporting system. The AFR was the basis for the financial statements. There was no evidence of a control such as oversight, review, or approval.

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:

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

"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 AFRs for 2016 and 2017 that personnel had been trained on internal control standards. However, personnel had not received training. Therefore, the AFRs submitted for these years 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](#)."

ERRORS ON CLAIMS

The same comment also appeared in prior Reports B40843 and B48813.

Of the 136 disbursements tested, we identified the following errors:

- Fourteen were not certified by the Clerk-Treasurer on the Accounts Payable Voucher.
- The Clerk-Treasurer issued warrants for nine Accounts Payable Vouchers that were not approved by the governing body.

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;

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

- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

DELINQUENT WASTEWATER ACCOUNTS

The same comment also appeared in prior Report B48813.

Delinquent wastewater fees and penalties had not been recorded with the County Recorder, nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

". . . (c) Except as provided in subsection (m), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.
 - (B) A description of the premises, as shown by the records of the county auditor.
 - (C) The amount of the delinquent fees, together with the penalty.
- (2) An individual instrument for each lot or parcel of real property on which the fees are delinquent.

(d) The officer shall record a copy of each list or each individual instrument with the county recorder . . .

(f) . . . Using the lists and instruments prepared under subsection (c) and recorded under subsection (d), the officer shall, not later than ten (10) days after the list or each individual instruments is recorded under subsection (d), certify to the county auditor a list of the unpaid liens for collection with the next May installment of property taxes. . . ."

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

CUSTOMER DEPOSITS

A similar comment also appeared in prior Report B48813, entitled *CUSTOMER DEPOSIT REGISTER*.

The detail of the customer deposit records did not reconcile with the amount of money recorded in the deposit funds. For accounts maintained in the computerized accounting software, the detail supported the control. Many of the customer deposits were made when the Town had hand-posted records and a detail record was not reconciled to the control at that time. No detail from the hand-posted records was presented for audit. At December 31, 2017, the detail showed \$151,007 and the control balance was \$294,685.

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)

ORDINANCES AND RESOLUTIONS

The same comment also appeared in prior report B48813.

The Town had an ordinance concerning the application of penalty charges for the late payments of utility bills. We identified delinquent not-for-profit and governmental customers that penalties for late payments were not applied to. Exemptions from penalty charges for not-for-profit or governmental customers was not provided for in the ordinance.

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Reports B37081, B40843, and B48813.

The following funds were overdrawn at December 31, 2014, 2015, 2016, and 2017:

Fund	Amount Overdrawn 12-31-14	Amount Overdrawn 12-31-15	Amount Overdrawn 12-31-16	Amount Overdrawn 12-31-17
OCCUPANT PROTECTION	\$ 1,584	\$ 4,313	\$ 4,313	\$ 6,974
K9 DONATIONS	-	220	219	-
PAYROLL FEDERAL	19,112	19,241	19,098	19,098
PAYROLL MEDICARE W/H	368	391	358	334
PAYROLL PERF W/H	39,979	39,978	39,979	39,964
PAY-AMERICAN FIDELITY	-	37	181	-
PAY-AFLAC	-	1,250	2,154	3,387
POLICE HOMELAND GRANT	128	128	128	-
OCRA PLAN GRANT	-	-	445	445

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

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CONDITION OF RECORDS

The same comment also appeared in prior reports B48813 and B40843.

The Town's records contained the following errors:

The Town had money held in accounts at two trustees that were used for the payment of bonds. The Town made regular payments to the accounts as required by the bonding documents. The funds held by the trustees belonged to the Town until the bond payment was made and should have been reported on the financial statements. Financial statement receipts, disbursements, and balances were understated, \$183,416, \$233,622, and \$997,974, respectively, in 2014; \$38,189, \$550, and \$1,035,613, respectively, in 2015; \$531,935, \$482,286, and \$197,889, respectively, in 2016; and \$502,508, \$483,192, and \$217,205, respectively, in 2017.

The Light Fund disbursements recorded on the ledger did not match the Light Fund disbursements reported on the AFR. The AFR disbursements were understated by \$8,000.

In 2016, the Town began direct depositing employee paychecks. The Town transferred the money to make these payments to the Direct Deposit Fund, however, the payments were made to employees from the Payroll Net Fund. The two funds were netted for the financial statement presentation.

In 2014, 2015, 2016, and 2017 the Town received \$470, \$1,040, \$1,984, and \$1,118 from the County Auditor, respectively. These distributions should have been recorded in the Law Enf Cont Ed fund, but instead were recorded in the Police Miscellaneous fund.

The Town recorded a distribution of \$692 in the LOIT Special Distribution fund rather than the Rainy Day fund.

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

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 Towns, Chapter 1)

CLERK-TREASURER
TOWN OF ROCKVILLE
EXIT CONFERENCE

The contents of this report were discussed on December 20, 2018, with Mark Spelbring, Clerk-Treasurer; Liddy Dowd-Wright, President of the Town Council; Parke Swaim, Town Council member; Dr. Steven G. Waltz, Town Council member; Karen Berry, Deputy Clerk-Treasurer; and Nicholas Sauter, Attorney.

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TOWN COUNCIL
TOWN OF ROCKVILLE

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TOWN OF ROCKVILLE
AUDIT RESULTS AND COMMENTS

TRAINING ON INTERNAL CONTROL STANDARDS

Personnel had not received training over internal control standards adopted by the Town.

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."

ORDINANCES AND RESOLUTIONS

The same comment also appeared in prior Reports B37081, B40843, and B48813.

Ordinance 2000-656 contained conflicting provisions regarding meals for employees while in travel status. Part of the ordinance authorized a \$35 per diem, while another part of the ordinance stated the employees were to remit receipts for reimbursement of costs.

The Town had not adopted an ordinance stating an amount to be charged for electric utility customer deposits. Ordinance 95-605 stated customer deposits will be collected based on an average of six months' usage; however, a flat rate deposit was being collected.

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Fees can only be collected as specifically authorized by law or properly authorized ordinance/resolution. When a fee is NOT specified by law, but instead through the use of an ordinance/resolution, sufficient authoritative reference should be maintained. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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EXIT CONFERENCE

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PARK DEPARTMENT
TOWN OF ROCKVILLE

PARK DEPARTMENT
TOWN OF ROCKVILLE
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS - SWIMMING POOL

The same comment also appeared in prior Reports B40843 and B48813.

There were no internal controls over the swimming pool receipts. Tickets were not issued for admissions and there was no documentation to support concession receipts. The receipts were separated between admissions and concessions, but no reports were provided when remitting the receipts to the Clerk-Treasurer. It was not possible to determine whether receipts were deposited intact or whether appropriate fees were charged.

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