

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

PETERSBURG/PIKE COUNTY REVOLVING LOAN
FUND ADMINISTRATION BOARD,
PIKE COUNTY, INDIANA

January 1, 2015 to December 31, 2018



FILED
10/01/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Loan Administrator	(Vacant)	01-01-15 to 01-19-15
	Tammy Selby	01-20-15 to 04-27-18
	Heather Popp	04-28-18 to 08-22-18
	Kristi Dischinger	08-23-18 to 12-31-19
President of the Board of Directors	Carla D. Willis	01-01-15 to 02-07-17
	R. C. Klipsch	02-08-17 to 12-31-18
	Brian Mahoney	01-01-19 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE PETERSBURG/PIKE COUNTY REVOLVING
LOAN FUND ADMINISTRATION BOARD, PIKE COUNTY, INDIANA

This report is supplemental to our audit report of the Petersburg/Pike County Revolving Loan Fund Administration Board (Board), for the period from January 1, 2015 to December 31, 2018. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Board. It should be read in conjunction with our Financial Statements Audit Report of the Board, which provides our opinion on the Board'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

August 7, 2019

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LOAN ADMINISTRATOR PETERSBURG/PIKE COUNTY
REVOLVING LOAN FUND ADMINISTRATION BOARD

LOAN ADMINISTRATOR PETERSBURG/PIKE COUNTY
REVOLVING LOAN FUND ADMINISTRATION BOARD
AUDIT RESULTS AND COMMENTS

CERTIFICATION OF INTERNAL CONTROL STANDARDS

The Loan Administrator incorrectly certified on the Annual Financial Report (AFR) for 2016, 2017, and 2018 that the required internal control standards were adopted and training was provided to personnel. However, the Board had not adopted the internal standards as required by Indiana Code 5-11-1-27(g), nor had personnel been trained.

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](#)."

INTERNAL CONTROLS

A similar comment also appeared in prior reports B41132, B45218, and B51180.

Control activities should be selected and developed at various levels to reduce risks of error and/or fraud of the financial statements. The Board had not separated incompatible activities related to cash and investments, receipts, disbursements, and financial close and reporting. The failure to establish these controls could enable material misstatements to occur and be undetected.

Cash and Investments

The Loan Administrator was solely responsible for all aspects of the bank reconciliation process with no controls in place, such as an oversight, review, or approval process.

Receipts

The Loan Administrator was solely responsible for all aspects of the receipting process with no controls in place, such as an oversight, review, or approval process.

LOAN ADMINISTRATOR PETERSBURG/PIKE COUNTY
REVOLVING LOAN FUND ADMINISTRATION BOARD
AUDIT RESULTS AND COMMENTS
(Continued)

Disbursements

The Loan Administrator was solely responsible for all aspects of the disbursement process with no controls in place, such as an oversight, review, or approval process.

Financial Close and Reporting

The Loan Administrator entered and submitted financial information for the Board into the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Report and financial statements. There was no evidence of a control, such as an oversight, review, or approval process, to ensure the accuracy of the information entered and submitted.

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. . ."

LOAN ADMINISTRATOR PETERSBURG/PIKE COUNTY REVOLVING
LOAN FUND ADMINISTRATION BOARD
EXIT CONFERENCE

The contents of this report were discussed on August 7, 2019, with Kristi Dischinger, Loan Administrator; Carla D. Willis, Vice President of the Board of Directors; Cindy Gaskins, Secretary of the Board of Directors; and Eddie Joe Boyd, Board member.

BOARD OF DIRECTORS PETERSBURG/PIKE COUNTY
REVOLVING LOAN FUND ADMINISTRATION BOARD

BOARD OF DIRECTORS PETERSBURG/PIKE COUNTY
REVOLVING LOAN ADMINISTRATION BOARD
AUDIT RESULT AND COMMENT

ADOPTION AND TRAINING OF INTERNAL CONTROL STANDARDS

The Board did not adopt the acceptable minimum level of internal control standards as required by statute nor did they provide training on the required internal control standards.

Indiana Code 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."

BOARD OF DIRECTORS PETERSBURG/PIKE COUNTY
REVOLVING LOAN FUNDADMINISTRATION BOARD
EXIT CONFERENCE

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