

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF CUMBERLAND

MARION COUNTY, INDIANA

January 1, 2017 to December 31, 2018



FILED
10/09/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Erica Salmon	01-01-16 to 12-31-19
President of the Town Council	Anna Pea Joe Siefker	01-01-17 to 12-31-18 01-01-19 to 12-31-19
Director of Utilities	Steve Yagelski	01-01-17 to 11-17-17
Director of the Department of Public Works	Benjamin Lipps	11-18-17 to 12-31-19
Town Manager	April Fisher	01-01-17 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF CUMBERLAND, MARION COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Cumberland (Town), for the period from January 1, 2017 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 Town. It should be read in conjunction with our Financial Statement Audit Report of the Town, which provides our opinion on the Town's financial statement. 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 22, 2019

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CLERK-TREASURER
TOWN OF CUMBERLAND

CLERK-TREASURER
TOWN OF CUMBERLAND
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

There were deficiencies in the internal control system of the Town related to financial transactions and reporting for cash and investments and payroll.

Cash and Investments

Monthly bank reconcilements were prepared by the Clerk-Treasurer and matched to the bank statements and fund reports by the Deputy Clerk-Treasurer as a final review; however, evidence was not presented for audit to document the review performed by the Deputy Clerk-Treasurer.

Payroll

Each pay period, salaried employees submit electronic timesheets to their supervisor for approval. Requests for leave time are submitted through the Town's payroll vendor, Paychex, to be approved by a supervisor. The Police Chief did not submit leave time requests through Paychex, and instead documented on his timesheet the amount of leave taken after the fact. This resulted in one instance where the Police Chief had a negative accrued vacation leave balance.

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.

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

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. . . ."

BANK ACCOUNT RECONCILIATIONS

The same comment also appeared in prior Report B49575.

Depository reconciliations of the fund balance to the bank account balances were performed monthly by the Clerk-Treasurer. The Town has multiple bank accounts, thus several reconciliations. The reconciliations completed at December 31, 2017, and December 31, 2018, balanced; however, they contained numerous reconciling items, which lacked supporting documentation in order to properly substantiate the adjustments indicated. Multiple deposits in transit could not be substantiated to the subsequent month's bank statements due to the lack of a detailed listing. Outstanding checks of the Town Court were not prepared with the Odyssey financial software and the listing provided did not include check dates. In addition, reconciling items were not always resolved timely, with many items found to be carried from month to month with no attempt to resolve them.

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)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)



8/30/2019

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OFFICIAL RESPONSE

Town of Cumberland examination results and comments for the years 2017 & 2018.

INTERNAL CONTROLS – 2017 & 2018

Cash and Investments – The Deputy Clerk Treasurer will initial all bank reconciliations as evidence that bank reconciliations prepared by the Clerk Treasurer are matched to the bank statements and fund reports.

Payroll – The Police Chief will submit all time off requests either electronically through the Paychex payroll system or in writing on the appropriate time off request form.

BANK ACCOUNT RECONCILIATION – 2017 & 2018

Transfers between Bank Accounts will be made more frequently and broken out into individual deposits on the Bank Reconciliations instead of in aggregate. Deposits in Transit will be individually listed. Outstanding check reports will be updated to include check dates.

COMPENSATION AND BENEFITS – 2017 & 2018

Vehicle Earnings and deductions will be discontinued as of 8/30/2019.

A decision will be made in the next 60 days weather to amend the handbook to allow for carry over of Perfect Attendance hours. A mis-match exists between Police General Orders and the Employee Handbook. A decision will be made in the next 60 days which will be amended.

Once a decision is made, employees will be notified and either given the opportunity to take the time off or be paid out for accrued time.

Longevity Pay will be granted and increased only at January 1st and not on the employee anniversary date as has been done in the past.

CLERK-TREASURER
TOWN OF CUMBERLAND
EXIT CONFERENCE

The contents of this report were discussed on August 22, 2019, with April Fisher, Town Manager; Allison Gray, Deputy Clerk-Treasurer; Erica Salmon, Clerk-Treasurer; and Joe Siefker, President of the Town Council.

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TOWN COUNCIL
TOWN OF CUMBERLAND

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AUDIT RESULT AND COMMENT

COMPENSATION AND BENEFITS

The same comment also appeared in prior Report B49575.

During testing of payroll disbursements, it was found that compensation and benefits were not always supported by the salary ordinance or employee handbook.

Six paychecks tested of utility employees were paid a vehicle earnings stipend on their check. The stipend was not approved by the Town Council or included in a salary ordinance.

Five employees sampled were allowed to accrue paid personal days in excess of what was allowable. Per the salary ordinance, employees were to receive a paid attendance incentive as provided for in the Employee Handbook, with a maximum of one paid personal day accrued per quarter. The Employee Handbook states that "Employees earning personal days must use the benefit during the next calendar quarter. If the employee fails to use the personal days as required, the employees forfeits the personal day or days." Accrued paid personal time of the five employees ranged from 12 hours to 40 hours.

Two police officers sampled were allowed to accrue compensatory time in excess of what was allowable. The Employee Handbook states that "Accrued compensatory time may be accumulated up to 40 hours for administrative employees and 84 hours for police officers." Accrued compensatory time for the two police officers sampled were 120.75 hours and 200 hours.

Longevity pay was not calculated in accordance with the Employee Handbook. The Employee Handbook states that "All full-time employees of the Town are eligible to be paid longevity pay upon completing three years of service to the Town. Each employee having at least three years of service will earn longevity pay in the first calendar year after reaching three years of service. The longevity pay will be equal to \$600 in the first year and \$200 additional per year thereafter." However, it was found that one employee's longevity pay was adjusted to reflect their hire date instead of the calendar year.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)



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