

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF PIERCETON

KOSCIUSKO COUNTY, INDIANA

January 1, 2015 to December 31, 2018



FILED
11/01/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Internal Controls	6-7
Receipt Issuance	7
Exit Conference	8

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janet L. Castle Jerry F. Kreger	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President of the Town Council	Armando Espinoza Thomas Barker Matthew Brubaker	01-01-15 to 12-31-15 01-01-16 to 12-31-17 01-01-18 to 12-31-19



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

TO: THE OFFICIALS OF THE TOWN OF PIERCETON, KOSCIUSKO COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Pierceton (Town), 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 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

September 17, 2019

(This page intentionally left blank.)

CLERK-TREASURER
TOWN OF PIERCETON

CLERK-TREASURER
TOWN OF PIERCETON
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

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

Receipts

The Billings Clerk issued receipts and the Claims Clerk posted receipts into the accounting software. The Clerk-Treasurer reviewed receipt postings made into the accounting software. There was no evidence provided for audit of the Clerk-Treasurer's review of receipt postings.

Payroll Disbursements

The Town used a service organization to process payroll. Department heads approved timesheets and the Payroll Clerk manually entered approved timesheets into the service organization's payroll module. For each payroll, a Payroll Summary report was generated from the payroll module based on the Payroll Clerk's data entries. The Payroll Clerk provided the Payroll Summary reports to the Clerk-Treasurer for review prior to the Clerk-Treasurer posting payroll into the accounting software. There was no evidence provided for audit of the Clerk-Treasurer's review of the Payroll Summary reports.

Financial Close and Reporting

The Clerk-Treasurer entered financial information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which is the source of the Annual Financial Report and financial statements. There was no documented evidence of a review, oversight, or approval process by a person other than the Clerk-Treasurer prior to financial information submission into Gateway.

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

Criteria

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. . . ."

RECEIPT ISSUANCE

Condition and Context

State and local distributions received during the audit period were recorded at the month end, instead of the time of the transaction.

Criteria

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF PIERCETON
EXIT CONFERENCE

The contents of this report were discussed on September 17, 2019, with Jerry F. Kreger, Clerk-Treasurer; Matthew Brubaker, President of the Town Council; and Thomas Barker, Town Council member.