

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF BORDEN

CLARK COUNTY, INDIANA

January 1, 2015 to December 31, 2018



FILED

11/04/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Internal Controls over Financial Transactions and Reporting.....	6
Certified Report - Form 100-R	7
Transfers from Motor Vehicle Highway Fund and Local Road and Street Fund	7-8
Certification of Internal Control Standards	8
Exit Conference	9
Town Council:	
Audit Results and Comments:	
Internal Controls over Financial Transactions and Reporting.....	12
Transfers from Motor Vehicle Highway Fund and Local Road and Street Fund	12-13
Adoption of and Training on Internal Control Standards.....	13
Exit Conference	14

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mellinda Holmes	01-01-12 to 12-31-19
President of the Town Council	Rudy L. Cook	01-01-15 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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TO: THE OFFICIALS OF THE TOWN OF BORDEN, CLARK COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Borden (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 19, 2019

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CLERK-TREASURER
TOWN OF BORDEN

CLERK-TREASURER
TOWN OF BORDEN
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

The Town did not have a proper system of internal controls in place to prevent, or detect and correct, errors related to financial transactions and reporting. The Town had not separated incompatible activities related to cash and investments, receipts, and financial close and reporting.

Cash and Investments and Receipts

Due to the small size of the Town, the same person is responsible for collecting money, receipting that money, writing checks, and posting all transactions to the ledger. The same person also receives the bank statement and reconciles the financial records to the bank balance. There is not enough oversight by the Town Council to provide any controls over cash and investments and receipts.

Financial Close and Reporting

Financial information was entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source for the financial statement, by the Clerk-Treasurer with no evidence of an independent review, oversight, or approval process to ensure the accuracy of the information reported. There were no signatures of approval or other documentation to indicate that someone other than the Clerk-Treasurer was involved in the financial close and reporting process.

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. . . ."

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

CERTIFIED REPORT - FORM 100-R

Condition and Context

The Town did file a Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R) in Gateway for each year of the audit. However, the reports filed for the years 2015, 2016, 2017, and 2018 excluded elected officials.

Criteria

Indiana Code 5-11-13-1(a) states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts . . . The certification must be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

TRANSFERS FROM MOTOR VEHICLE HIGHWAY FUND AND LOCAL ROAD AND STREET FUND

The same comment also appeared in prior Report B46238.

Condition and Context

The Town made transfers from the Local Road And Street fund to the Rainy Day fund in the amounts of \$31,000, \$5,000, and \$15,000, during the years 2015, 2017, and 2018, respectively. These transfers were in addition to transfers totaling \$51,000 from the Motor Vehicle Highway fund and Local Road And Street fund to the Rainy Day fund in years previous to 2015.

Criteria

Indiana Code 36-5-4-13(b) states:

"Except as provided in subsection (c), this subsection applies to a town having a population of more than five hundred (500) but less than two thousand (2,000). Notwithstanding [IC 5-14-1](#) and [IC 8-14-2](#), a town may transfer money distributed to the town from:

- (1) the motor vehicle highway account under [IC 8-14-1](#);
- (2) the local road and street account under [IC 8-14-2](#) or
- (3) the:
 - (A) motor vehicle highway account under [IC 8-14-1](#); and
 - (B) local road and street account under [IC 8-14-2](#);

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

to any other town fund after the passage of an ordinance or a resolution by the town legislative body that specifies the amount of the transfer, the funds involved, the date of the transfer, and the general purpose of the transfer. However, the total amount of all money transferred by a town may not exceed forty thousand dollars (\$40,000)."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Clerk-Treasurer incorrectly certified in Gateway that the Town had adopted the minimum standards of internal control and that all required employees had received the internal control training. The Town Council adopted Resolution 16-06-14 requiring the Clerk-Treasurer and Town Liaison (position since replaced with the Community Coordinator) to make recommendations to the Town Council regarding the internal control standards that needed to be adopted, but to date, that has not occurred. In addition, not all required employees have received the internal control training.

Criteria

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](#)."

CLERK-TREASURER
TOWN OF BORDEN
EXIT CONFERENCE

The contents of this report were discussed on September 19, 2019, with Mellinda Holmes, Clerk-Treasurer; Rudy L. Cook, President of the Town Council; and Ruth Sparks, Town Council member.

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TOWN COUNCIL
TOWN OF BORDEN

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AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

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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.

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TOWN COUNCIL
TOWN OF BORDEN
AUDIT RESULTS AND COMMENTS
(Continued)

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to any other town fund after the passage of an ordinance or a resolution by the town legislative body that specifies the amount of the transfer, the funds involved, the date of the transfer, and the general purpose of the transfer. However, the total amount of all money transferred by a town may not exceed forty thousand dollars (\$40,000)."

ADOPTION OF AND TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The Town Council adopted Resolution 16-06-14. This Resolution directed the Clerk-Treasurer and Town Liaison (position since replaced with the Community Coordinator) to make recommendations to the Town Council ". . . in regards to the internal control standards that should be adopted by the Borden Town Council, . . ." However, to date, this has not occurred. Also, the required employees have not received the internal control training.

Criteria

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."

TOWN COUNCIL
TOWN OF BORDEN
EXIT CONFERENCE

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