

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ELBERFELD

WARRICK COUNTY, INDIANA

January 1, 2016 to December 31, 2017



**FILED**

12/05/2019



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SCHEDULE OF OFFICIALS

| <u>Office</u>                 | <u>Official</u> | <u>Term</u>          |
|-------------------------------|-----------------|----------------------|
| Clerk-Treasurer               | Mandy Kirsch    | 01-01-15 to 12-31-22 |
| President of the Town Council | Martin Walters  | 01-01-16 to 12-31-19 |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF ELBERFELD, WARRICK COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Elberfeld (Town), for the period from January 1, 2016 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 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/](http://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

October 30, 2019

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CLERK-TREASURER  
TOWN OF ELBERFELD

CLERK-TREASURER  
TOWN OF ELBERFELD  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

*Context and Condition*

The Town had not established an adequate internal control system related to cash and investments and receipts. A proper internal control system would include adequate control activities. The Town had not separated incompatible activities related to cash and investments, and receipts.

*Cash and Investments*

There were no controls in place to ensure accurate monthly bank reconcilements were being prepared. There was no evidence that an oversight, review, or approval process over the bank reconcilements had occurred.

*Receipts*

The Clerk-Treasurer was solely responsible for all aspects of receipting and depositing monies of the Town. There was no evidence that an oversight, review, or approval process over receipts had occurred.

*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. . . ."

**ANNUAL FINANCIAL REPORT**

The same comment also appeared in prior Report B46818.

*Condition and Context*

The Clerk-Treasurer entered and submitted financial information for the Town into the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Report (AFR) and financial statements.

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

The AFR for 2016 and 2017 did not include the receipts, disbursements, and ending balances for the Wastewater Utility SRF funds. In total, the receipts, disbursements, and cash and investment balances were incorrect as follows:

| Years | Fund                             | Beginning<br>Cash and<br>Investments | Receipts   | Disbursements | Ending<br>Cash and<br>Investments |
|-------|----------------------------------|--------------------------------------|------------|---------------|-----------------------------------|
| 2016  | Wastewater SRF Bond and Interest | \$ 162,591                           | \$ 185,631 | \$ 181,816    | \$ 166,406                        |
| 2016  | Wastewater SRF Bond Reserve      | 187,795                              | 323        | -             | 188,118                           |
| 2017  | Wastewater SRF Bond and Interest | 166,406                              | 182,233    | 183,079       | 165,560                           |
| 2017  | Wastewater SRF Bond Reserve      | 188,118                              | 1,255      | -             | 189,373                           |

Adjustments were proposed, approved by the Clerk-Treasurer, and made to the AFR and the financial statements of the Town.

*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](#)."

**CAPITAL ASSETS**

*Condition and Context*

A similar comment also appeared in prior Reports B38253, B41033, and B46818.

The Town and Utilities did not maintain sufficient and detailed records of capital assets. The records presented for audit were not maintained with current or complete asset information of the Town.

*Criteria*

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**CUSTOMER DEPOSIT REGISTER**

*Condition and Context*

The same comment also appeared in prior Reports B29846, B38253, B41033, and B46818.

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

The detailed customer deposit register does not reconcile with the cash and investment balance of the Water Util Meter Deposit fund amount recorded on the general ledger.

*Criteria*

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLERK-TREASURER  
TOWN OF ELBERFELD  
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2019, with Mandy Kirsch, Clerk-Treasurer; Martin Walters, President of the Town Council; and Tracee Matthews, Town Council member.