

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ORLAND

STEBEN COUNTY, INDIANA

January 1, 2015 to December 31, 2018



**FILED**  
12/09/2019



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
Condition of Records.....	7
Penalties, Interest, and Other Charges.....	7
Exit Conference .....	8

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rhonda Engle	01-01-12 to 08-27-15
	Wendy Kellett	08-28-15 to 12-31-15
	April Sanders	01-01-16 to 12-31-19
President of the Town Council	Kevin Kellett	01-01-15 to 12-31-15
	Connie S. Booher	01-01-16 to 12-31-16
	Charles Clark	01-01-17 to 09-11-17
	Connie S. Booher	09-12-17 to 12-31-19
Superintendent of the Water Utility	Kenneth Wagner	01-01-15 to 12-31-15
	Justin Stouder	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 ORLAND, STEUBEN COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Orland (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/](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

November 14, 2019

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CLERK-TREASURER  
TOWN OF ORLAND

CLERK-TREASURER  
TOWN OF ORLAND  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

*Condition and Context*

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not established an effective internal control system that separated incompatible activities related to receipts, payroll disbursements, and financial close and reporting.

*Receipts*

The Town had not established a system of internal controls or separated incompatible activities related to receipts that would have ensured that receipts were recorded accurately. The Clerk-Treasurer collected, prepared the deposit slips, and recorded the funds in the records without any oversight, review, or approval procedures in place to ensure their accuracy.

*Payroll Disbursements*

The Town had not established a system of internal controls or separated incompatible activities related to payroll disbursements that would have ensured payroll disbursements were recorded accurately. The Clerk-Treasurer performed all of the payroll functions without any documented oversight, review, or approval procedures in place to ensure their accuracy.

*Financial Close and Reporting*

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

*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 ORLAND  
AUDIT RESULTS AND COMMENTS  
(Continued)

**CONDITION OF RECORDS**

*Condition and Context*

For the year ended December 31, 2015, the Town provided three separate Excel ledger files with three different total receipts, total disbursements, and ending balances for numerous funds. None of the ending balances provided were used to prepare the monthly bank reconcilements. In addition, a combination of the three ledgers was used to enter the financial information into Gateway, which was the source for the AFR and financial statements.

*Criteria*

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 Town, Chapter 1)

**PENALTIES, INTEREST, AND OTHER CHARGES**

*Condition and Context*

The Town paid penalties and interest to the Indiana Department of Revenue on water utility receipts tax. The penalties and interest totaling \$322 paid by each year were:

<u>Years</u>	<u>Amount</u>
2015	\$ 58
2016	101
2017	107
2018	<u>56</u>
Total	<u><u>\$ 322</u></u>

*Criteria*

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER  
TOWN OF ORLAND  
EXIT CONFERENCE

The contents of this report were discussed on November 14, 2019, with April Sanders, Clerk-Treasurer, and Connie S. Bocher, President of the Town Council.