

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, 2018 to December 31, 2018



FILED
12/11/2019

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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	Marty Walters	01-01-18 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, 2018 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

October 30, 2019

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CLERK-TREASURER
TOWN OF ELBERFELD

CLERK-TREASURER
TOWN OF ELBERFELD
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

The same comment also appeared in prior Report B53902.

Context and Condition

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to cash and investments, receipts, and financial close and reporting. The failure to establish these controls enabled material misstatements to occur and remain undetected.

Cash and Investments

Reconcilements of the bank and ledger activity were completed by one individual. There was no evidence that an oversight, review, or approval process was in place to ensure the accuracy of the bank reconciliation.

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.

Financial Close and Reporting

One individual entered the Town's financial information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source for the Annual Financial Report (AFR) and financial statement. The Town did not record the activity for the Wastewater SRF Bond And Interest and the Wastewater SRF Bond Reserve funds in the general ledger and did not report these funds on Gateway for 2018. There was no evidence provided that these funds were reconciled by the Town. There was no evidence that an oversight, review, or approval process was in place to ensure that all funds were recorded, reconciled, and reported.

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

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.

CLERK-TREASURER
TOWN OF ELBERFELD
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. . . ."

ANNUAL FINANCIAL REPORT

The same comment also appeared in prior Reports B46818 and B53902

Condition and Context

The Clerk-Treasurer entered and submitted financial information for the Town into Gateway, which was the source for the AFR and financial statement.

The AFR for 2018 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:

Fund	Beginning Cash and Investments	Receipts	Disbursements	Ending Cash and Investments
Wastewater SRF Bond And Interest	\$ 165,560	\$ 164,834	\$ 197,567	\$ 132,827
Wastewater SRF Bond Reserve	189,373	2,470	54,995	136,848

Adjustments were proposed, approved by the Clerk-Treasurer, and made to the AFR and the financial statement 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 ASSET RECORDS

The same comment also appeared in prior Reports B38253, B41033, B46818, and B53902.

Condition and Context

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 and Utilities.

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

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

The same comment also appeared in prior Reports B29846, B38253, B41033, B46818, and B53902.

Condition and Context

The detailed customer deposit register does not reconcile with the cash and investment balance of the Water Utility 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 must 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 1)

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.