

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

OWENSVILLE-MONTGOMERY TOWNSHIP
FIRE PROTECTION DISTRICT
GIBSON COUNTY, INDIANA

January 1, 2018 to December 31, 2018



FILED
12/12/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Fiscal Officer	Georgia Straw	01-01-18 to 12-31-19
President of the District Board	Jeff Roberts	01-01-18 to 12-31-18
	Jason B. Wright	01-01-19 to 12-31-19



STATE OF INDIANA
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TO: THE OFFICIALS OF THE OWENSVILLE-MONTGOMERY TOWNSHIP
FIRE PROTECTION DISTRICT, GIBSON COUNTY, INDIANA

This report is supplemental to our audit report of the Owensville-Montgomery Township Fire Protection District (District), 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 District. It should be read in conjunction with our Financial Statement Audit Report of the District, which provides our opinion on the District'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

November 25, 2019

OWENSVILLE-MONTGOMERY TOWNSHIP FIRE PROTECTION DISTRICT
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

The same comment also appeared in prior Report B53940.

Condition and Context

There were several deficiencies in the internal control systems of the District related to control environment, risk assessment, control activities, information and communication, and monitoring. The District had not separated incompatible activities related to all areas of the financial statement. The failure to establish these controls could have enabled material misstatements to occur and remain undetected.

Control Environment, Risk Assessment, Information and Communication, and Monitoring

The District had a board review of all reports prepared by the Fiscal Officer during every District Board meeting; however, for many of the reports, there was not sufficient audit evidence to support that any review process had taken place.

Control Activities

Cash and Investments: Bank reconciliations were prepared on a monthly basis and presented to the District Board at the monthly meetings; however, there was no supporting documentation presented for audit.

Receipts: The Fiscal Officer solely collected money or received electronic funds transfer (EFT) notifications of funds directly deposited, made the bank deposits, and entered the information into the financial records. The District did not have controls in place, such as an oversight, review, or approval process to ensure receipts were properly recorded or deposited timely.

Disbursements: The Fiscal Officer solely prepared and issued checks or EFT payments for payment of claims for goods and services. Although the District Board approved the claim dockets, there was insufficient oversight to ensure that all disbursements were adequately supported and/or recorded in the District's financial records.

Financial Close and Reporting: The Fiscal Officer prepared and submitted the Annual Financial Report (AFR) through the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statement. The District did not have controls in place, such as an oversight, review, or approval process to ensure the accuracy of the information prior to submission.

The failure to establish these controls could have enabled material misstatements to go undetected.

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:

"The control environment is the basic commonality for all and comprises the integrity and ethical values of the political subdivision established by the oversight body and management. The standards, processes, and structures which form the control environment pervasively impact the overall system of internal control. The oversight body and management convey

OWENSVILLE-MONTGOMERY TOWNSHIP FIRE PROTECTION DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

leadership expectations, and overall tone which are reinforced by all officials and management throughout the various offices and departments. The control environment also contains the overall accountability structure for all employees through performance and reward measures. Within this structure, leadership demonstrates commitment to the political subdivision by having a process for attracting, developing, and retaining competent individuals. This component is static in that its underpinnings do not generally change with a given objective."

"Risk is the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment is the process used to identify and assess internal and external risks to the achievement of objectives, and then establish risk tolerances. Each identified risk is evaluated in terms of its impact and likelihood of occurrence. Overall, risk assessment is the basis for determining how risk will be managed. . . .

Management identifies risks to the achievement of the political subdivision's objectives across the unit as a whole and within each office or department. Analysis of risk through determination of objective measures and variance tolerance is the basis for determining how the risks should be managed. The response to risk is selected: acceptance, avoidance, reduction, or sharing. . . .

Internal control is a process, and part of that process is the responsibility for management to be continually aware of changes, both external and internal, that could affect the achievement of the political subdivision's objectives. Those changes should be analyzed for both their immediate effect and for any future impact. Management would then determine any modifications needed in the internal control process to adapt to these changes."

"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. . . ."

"Relevant information from both internal and external sources is necessary to support the functioning of the other components of internal control. Communication is the continual process of providing, sharing, and obtaining necessary information. Internal communication enables personnel to receive a clear message that control responsibilities are taken seriously by the organization. External communication enables relevant outside information to be internalized and internal information to be clearly communicated to external parties."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

OWENSVILLE-MONTGOMERY TOWNSHIP FIRE PROTECTION DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

ADOPTION AND TRAINING OF INTERNAL CONTROL STANDARDS

A similar comment also appeared in prior Report B53940.

Condition and Context

The District had not adopted the minimum level of internal controls as required by statute. The District did not provide training to personnel concerning internal control standards and procedures during the audit period.

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."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Fiscal Officer incorrectly certified on the AFR for 2018 that the required internal control standards had been adopted and training had been provided to personnel. However, the District had not adopted the internal control standards as required by Indiana Code 5-11-1-27(g), nor had personnel been trained.

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](#)."

OWENSVILLE-MONTGOMERY TOWNSHIP FIRE PROTECTION DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSETS

Condition and Context

The District does not have a capital assets policy, nor does it have a detail listing of all capital assets owned.

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 Special Districts, Chapter 1)

OWENSVILLE-MONTGOMERY TOWNSHIP FIRE PROTECTION DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on November 25, 2019, with Georgia Straw, Fiscal Officer, and Jason B. Wright, President of the District Board.