

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ROANOKE

HUNTINGTON COUNTY, INDIANA

January 1, 2016 to December 31, 2018



FILED
12/26/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	JoAnne Kirchner	01-01-16 to 12-31-19
President of the Town Council	David Tucker	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 ROANOKE, HUNTINGTON COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Roanoke (Town), for the period from January 1, 2016 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

November 21, 2019

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CLERK-TREASURER
TOWN OF ROANOKE

CLERK-TREASURER
TOWN OF ROANOKE
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

There were several 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.

Cash and Investments

The Clerk-Treasurer completed the bank reconciliations each month without any review or oversight.

Receipts

The Town did not have a documented review of receipts. Both the Clerk-Treasurer and Deputy Clerk-Treasurer could collect receipts and post them to the ledger. The Deputy Clerk-Treasurer prepared the deposits, performed a comparison to the collections for the day, and took the deposit to the bank. There was no documented oversight, review or approval process, or other compensating control in place to ensure that receipts were processed, recorded, and reported accurately.

Financial Close and Reporting

The Clerk-Treasurer uploaded the financial information from the Town's accounting software to complete the Annual Financial Report (AFR) in the Indiana Gateway for Government Units (Gateway) financial reporting system. The financial information was not reviewed by another member of the Town's management. Additionally, no one was reviewing the completed AFR in the Gateway system before submission.

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

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 ROANOKE
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

Condition and Context

A similar comment appeared in prior Reports B31330, B37972, B41596, and B47376.

Capital asset records of the Town and Town utilities were incomplete. The only capital asset records maintained were an inventory listing of equipment on hand maintained by each department at the end of the year.

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)

BANK ACCOUNT RECONCILIATIONS

Condition and Context

A similar comment appeared in prior Reports B37972, B41596, and B47376.

Depository reconciliations of the fund balances to the bank account balances were inaccurate and incomplete during all three years of the audit period. The adjusted bank balance exceeded the record balance by \$3,950 at December 31, 2018. In addition to the unidentified variance, there were 17 identified reconciling items on the December 31, 2015 reconciliation that had not been corrected as of October 31, 2019.

<u>Years Ended</u>	<u>Unidentified Bank Long (Short)</u>
12-31-16	\$ (338)
12-31-17	1,584
12-31-18	3,950

Criteria

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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 Towns, Chapter 1)

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

SANITATION RATES AND CHARGES

Condition and Context

A similar comment appeared in prior Report B47376.

The Town approved ordinance 2018-2, which entailed signing a contract extension with Republic Services for sanitation (trash) services. The contract states the charges for 2018, 2019, and 2020 as \$10.16, \$10.47, and \$10.78, respectively. The rate billed for 2018 did not reflect the rate listed in the contract. The only ordinance available was 2004-3, which established the rates charged to customers for trash services.

Criteria

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

UTILITY RECEIPTS TAX

Condition and Context

A similar comment appeared in prior Reports B31330, B37972, B41596, and B47376.

Utility receipts tax was overpaid by \$837 and the annual tax return (Form URT-1) was not prepared or filed with the Indiana Department of Revenue. The Town did not consistently make quarterly payments during the audit period. There were additional payments made for the third quarters (due in September) of 2016 and 2017. These payments were for different amounts compared to the original payments made on time. The additional payments weren't paid until June of 2018. The first quarter (due in April) of 2018 was never paid.

Years	Estimated Utility Receipts Tax	Utility Receipts Tax Paid	Estimated Overpayment
2016	\$ 5,844	\$ 4,065	\$ 1,779
2017	5,789	2,714	3,075
2018	5,711	11,402	(5,691)
	\$ 17,344	\$ 18,181	\$ (837)

Criteria

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

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)

Units must collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Town's AFR certification of the training on internal control standards was made incorrectly. The Clerk-Treasurer certified that they had received the training; however, the officials and employees who received the training could not be verified.

Context

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](#)."

DELINQUENT WASTEWATER ACCOUNTS

Condition and Context

The same comment appeared in prior Reports B31330, B37972, B41596, and B47376.

Delinquent wastewater fees and penalties had not been recorded with the County Recorder, nor were they certified to the County Auditor, which would result in a lien against the property.

Criteria

Indiana Code 36-9-23-33 states in part:

". . . (c) Except as provided in subsection (m), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:

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

- (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.
 - (B) A description of the premises, as shown by the records of the county auditor.
 - (C) The amount of the delinquent fees, together with the penalty.
- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent.
- (d) The officer shall record a copy of each list or each individual instrument with the county recorder . . .
- (f) Using the lists and instruments prepared under subsection (c) and recorded under subsection (d), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (d), certify to the county auditor a list of the unpaid liens for collection with the next May installment of property taxes. . . ."

CLERK-TREASURER
TOWN OF ROANOKE
EXIT CONFERENCE

The contents of this report were discussed on November 21, 2019, with JoAnne Kirchner, Clerk-Treasurer, and David Tucker, President of the Town Council.

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TOWN COUNCIL
TOWN OF ROANOKE

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AUDIT RESULTS AND COMMENTS

SANITATION RATES AND CHARGES

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Criteria

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ADOPTION AND TRAINING ON INTERNAL CONTROLS

Condition and Context

An ordinance to adopt internal control standards was passed during the Town Council meeting on June 7, 2016; however, a copy of the signed ordinance could not be located. In addition, training on internal controls for all newly hired and applicable personnel could not be verified to the signed training forms.

Criteria

Indiana 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 ROANOKE
EXIT CONFERENCE

The contents of this report were discussed on November 21, 2019, with David Tucker, President of the Town Council.