

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF WINSLOW

PIKE COUNTY, INDIANA

January 1, 2017 to December 31, 2018



FILED
03/30/2020

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Internal Control over Financial Transactions and Reporting.....	6-8
Appropriations	8
Exit Conference	9

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Beth A. Bennett	01-01-16 to 03-01-18
	(Vacant)	03-02-18 to 03-06-18
	Stacy McCandless	03-07-18 to 12-31-23
President of the Town Council	Terry Strobel	01-01-17 to 12-31-17
	Gregg Simmons	01-01-18 to 12-31-18
	Joshua Popp	01-01-19 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF WINSLOW, PIKE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Winslow (Town), for the period from January 1, 2017 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 opinions 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

February 18, 2020

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CLERK-TREASURER
TOWN OF WINSLOW

CLERK-TREASURER
TOWN OF WINSLOW
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROL OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

The Town had not established an adequate system of internal control related to financial transactions and reporting. A proper internal control system would include adequate control activities, control environment, performance of risk assessment procedures, and monitoring of internal controls. The Town had not separated incompatible activities related to cash and investments, receipts, disbursements, and financial close and reporting.

Cash and Investments

There were no controls in place to ensure monthly bank reconciliations were being prepared accurately. There was no segregation of duties such as an oversight, review, or approval process.

Receipts

The Clerk-Treasurer was solely responsible for all aspects of receipting and depositing the monies of the Town. There were no controls in place such as oversight, review, or approval process over any of the aspects of receipting and utility collections.

Disbursements

The Clerk-Treasurer was solely responsible for preparing the claims, issuing and distributing the checks, and recording disbursements in the ledger. There was no segregation of duties such as an oversight, review, or approval process.

Financial Close and Reporting

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

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

"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 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 tolerances 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."

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

"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. . . .

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. . . ."

APPROPRIATIONS

A similar comment also appeared in prior Reports B39902, B42412, and B48943.

Condition and Context

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General	2017	\$ 53,665
General	2018	26,631

Criteria

Indiana Code 36-5-4-2 states:

"Unless a statute provides otherwise, town monies may be disbursed only after an appropriation made by ordinance of the town legislative body and recorded in a book kept for that purpose by the legislative body. Each appropriation must be made from the fund against which the expenses arose."

CLERK-TREASURER
TOWN OF WINSLOW
EXIT CONFERENCE

The contents of this report were discussed on February 18, 2020, with Stacy McCandless, Clerk-Treasurer; Joshua Popp, President of the Town Council; Debbie Lamb, Town Council member; and Richard Brewster, Town Council member.