

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ROME CITY

NOBLE COUNTY, INDIANA

January 1, 2017 to December 31, 2018



FILED
04/08/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Brenda K. Conley	01-01-16 to 12-31-23
President of the Town Council	Carl B. Castle	01-01-17 to 12-31-18
	Gary J. Furlow	01-01-19 to 12-31-20
Superintendent of Wastewater Utility	Bradley J. Stevens	01-01-17 to 01-19-18
	Conrad A. White	01-20-18 to 12-31-20
Town Manager	Leigh A. Pranger	01-01-17 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE TOWN OF ROME CITY, NOBLE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Rome City (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

March 5, 2020

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CLERK-TREASURER
TOWN OF ROME CITY

CLERK-TREASURER
TOWN OF ROME CITY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

Condition and Content

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

Cash and Investments

For nonutility Town funds, the Clerk-Treasurer prepared all cash and investment reconciliations. There was no evidence of a review, oversight, or approval process by a person other than the Clerk-Treasurer to ensure accuracy of the cash and investment reconciliations for nonutility Town accounts.

Receipts

For nonutility Town collections, the Clerk-Treasurer collected funds, issued and recorded receipts, prepared the bank deposit slips, and took the deposits to the bank. There was no evidence of a review, oversight, or approval process by a person other than the Clerk-Treasurer to ensure accuracy of the deposit and posting of receipts.

Vendor Disbursements

The Town required a purchase order for any purchase over \$100. Purchases above \$100 were made without a purchase order during the audit period. In addition, there was no documented certification that purchased materials or services had been received.

Payroll Disbursements

The Clerk-Treasurer entered pay rates and hours worked, prepared payroll claims, recorded payroll disbursements in the ledger, and disbursed payroll checks prior to a review, oversight, or approval process. The Town Council reviewed and approved payroll claims after the checks were disbursed. Payroll checks were disbursed on a biweekly basis. Payroll is processed within the same week of the payroll period end date.

CLERK-TREASURER
TOWN OF ROME CITY
AUDIT RESULT AND COMMENT
(Continued)

The Clerk-Treasurer also prepared the quarterly payroll reports, year-end payroll reports, and Internal Revenue Service Wage and Tax Statement Forms W-2 for the Town employees. There was no evidence of a review, oversight, or approval process over these reports to ensure accuracy of information reported.

Financial Close and Reporting

The Clerk-Treasurer submitted financial information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which is the source of the Annual Financial Report and financial statement. There was no evidence of a review, oversight, or approval process prior to submission into Gateway.

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 ROME CITY
EXIT CONFERENCE

The contents of this report were discussed on March 5, 2020, with Brenda K. Conley, Clerk Treasurer, and Gary J. Furlow, President of the Town Council.

TOWN COUNCIL
TOWN OF ROME CITY

TOWN COUNCIL
TOWN OF ROME CITY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

Condition and Content

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not established a system of internal controls or separated incompatible activities related to payroll disbursements. The failure to establish these controls could have enabled material misstatements to occur and remain undetected.

Payroll Disbursements

Town employees are paid hourly except for elected officials. Employee timesheets for the Town Manager, Town Marshal, and Deputy Town Marshals were not approved by another individual. There is no personnel policy as to who should approve the timesheets.

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