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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF WORTHINGTON

GREENE COUNTY, INDIANA

January 1, 2017 to December 31, 2019

FILED
04/08/2020

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SCHEDULE OF OFFICIALS

Office	Official	Term
Clerk-Treasurer	Gloria Klass	01-01-17 to 12-31-19
	Deborah Dyer	01-01-20 to 12-31-23
President of the Town Council	Malcom Stahl	01-01-17 to 12-31-18
	Tom Franklin	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 WORTHINGTON, GREENE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Worthington (Town), for the period from January 1, 2017 to December 31, 2019. 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 opinions 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

March 24, 2020

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CLERK-TREASURER
TOWN OF WORTHINGTON

CAPITAL ASSETS

The same comment appeared in a Management Letter addressed to the Clerk-Treasurer and Town Council for the examination period ending December 31, 2016.

Condition and Context

The capital asset records for the Town and Wastewater Utility have not been maintained since 2009. No entries were made for asset additions or disposals during the audit period.

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)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

A similar comment also appeared in prior Report B49751, entitled *INTERNAL CONTROL STANDARDS*.

Condition and Context

On February 26, 2018, the Clerk-Treasurer certified that the Town had adopted the minimum standard of internal controls when completing the Annual Financial Report (AFR). This certification was incorrect, as the Town Council did not pass internal control standards until May 8, 2018.

On February 26, 2018; February 25, 2019; and February 24, 2020, the Clerk-Treasurer certified that Town employees had received the required training when completing the AFRs for 2017, 2018, and 2019. These certifications were incorrect. As of March 10, 2020, none of the Town employees had completed the required internal control training.

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."

MVH RESTRICTED FUND

Condition and Context

Effective January 1, 2019, State Examiner Directive 2018-02 established that 50 percent of State Motor Vehicle Highway distributions shall be maintained in a Motor Vehicle Highway Restricted Fund to be allocated for construction, reconstruction, and preservation of the Town's highways.

As of December 31, 2019, the Town had not created the Motor Vehicle Highway Restricted Fund and was not allocating 50 percent of State Motor Vehicle Highway distributions for construction, reconstruction, and preservation of the Town's highways.

Criteria

The purpose of this Directive is to authorize and require . . . cities, and towns that receive distributions from the State Motor Vehicle Highway Account to create a new sub-fund within the MVH Fund to properly manage and account for the usage restrictions that were included in the House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018. (State Examiner Directive 2018-2)

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted. (State Examiner Directive 2018-2)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. A proper internal control structure would include performance of risk assessment procedures and adequate control activities. The Town had not separated incompatible activities related to receipts and financial close and reporting.

Receipts

All officials that were responsible for posting receipts to the ledger in the Keystone accounting system used the Clerk-Treasurer's login name and password to perform duties related to receipts. Due to the sharing of passwords, there was no documentation of who actually performed the collection, recording, and depositing of receipts. There was no documentation of controls in place, such as an oversight, review, or approval process.

Financial Close and Reporting

The Clerk-Treasurer did not have a proper system of internal control in place to prevent, or detect and correct, errors in in the Annual Financial Report entered into the Indiana Gateway for Government Units (Gateway) financial reporting system. The Town did not perform risk assessment procedures to detect errors in annual financial reporting in Gateway. The Clerk-Treasurer entered the financial information without an oversight, review, or approval process.

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 risk assessment and control activities. According to this manual:

> "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. . . ."

CLERK-TREASURER
TOWN OF WORTHINGTON
EXIT CONFERENCE

The contents of this report were discussed on March 24, 2020, with Deborah Dyer, Clerk-Treasurer, and Tom Franklin, President of the Town Council.

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TOWN COUNCIL
TOWN OF WORTHINGTON

TOWN COUNCIL
TOWN OF WORTHINGTON
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

A similar comment also appeared in prior Report B49751, entitled *INTERNAL CONTROL STANDARDS*.

Condition and Context

On May 5, 2018, the Town Council passed internal control standards for the Town. However, employees that were required to have training over internal control standards had not had the training as of December 31, 2019. No certifications were presented for audit that certified employees received the proper training.

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."

TOWN COUNCIL
TOWN OF WORTHINGTON
EXIT CONFERENCE

The contents of this report were discussed on March 24, 2020, with Deborah Dyer, Clerk-Treasurer, and Tom Franklin, President of the Town Council.