

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF TOPEKA

LAGRANGE COUNTY, INDIANA

January 1, 2017 to December 31, 2018



FILED
04/09/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Naomi Miller	10-24-16 to 12-31-20
President of the Town Council	Yvonne Eash Ron Troyer	01-01-17 to 12-31-18 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 TOPEKA, LAGRANGE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Topeka (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, were not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

March 26, 2020

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CLERK-TREASURER
TOWN OF TOPEKA

CLERK-TREASURER
TOWN OF TOPEKA
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

Condition and Context

The following funds had overdrawn cash balances at year end:

<u>Years</u>	<u>Fund</u>	<u>Amount Overdrawn</u>
2017	Supplemental Insurance	\$ 224
2017	Payroll	3,499
2018	Sewage Bond & Interest Reserve	5,055

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Towns Chapter 1)

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had established an effective internal control system, but had not properly implemented the system regarding receipts, disbursements, and financial close and reporting.

The failure to implement controls could have enabled material misstatements or irregularities to remain undetected.

Receipts

The Deputy Clerk-Treasurer prepared a receipt report with the deposit slip and money collected for the day, which was given to the Clerk-Treasurer for her review. The Clerk-Treasurer performed the review without documented evidence of the oversight, review, or approval process to ensure their accuracy.

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

Disbursements

The Clerk-Treasurer prepared a Purchase Order (PO) form. When the invoice arrived the Deputy Clerk-Treasurer would attach the PO to the invoice and gave that to the Clerk-Treasurer for review and to be entered into the financial software system. The Clerk-Treasurer performed the review without documented evidence of the oversight, review, or approval process of the information entered into the financial software system.

Financial Close and Reporting

The Clerk-Treasurer entered and submitted financial information for the Town into the Indiana Gateway for Government Units financial reporting system, which is the source for the Annual Financial Report and the 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.

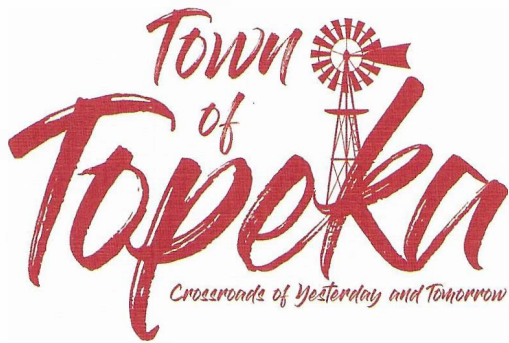
Criteria

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:

"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. . . ."



March 27, 2020

State Board of Accounts,

I wanted to respond to our audit the Town of Topeka received in late February/March. Reason is to clarify the actions being taken to fix the issues brought up during the audit.

Receipts

We have better internal controls of the receipts, documenting each step of the process with initials.

Disbursements

We have implemented internal controls to document the steps for receiving invoices, po's and payments. There is a yellow sheet attached to every invoice that notes the po or project for this invoice, appropriation and initialed by the preparer and the person who enters the bill into the software.

Financial Close and Reporting

Going forward for 2020, proper steps will be taken to have the yearend reports reviewed by a 3rd party and initialed. This will be a work in progress to complete a better internal control process.

Capital Assets

We have purchased a software to maintain our capital assets. The software will be available in June of 2020 and the Town will begin inputting the information.

Thank you for your time and I look forward to future audits and working through the processes to make a us a better community.

Respectfully,

Naomi Miller, IAMC

Clerk-Treasurer

clerktreasurer@topeka-in.gov

CLERK-TREASURER
TOWN OF TOPEKA
EXIT CONFERENCE

The contents of this report were discussed on March 26, 2020, with Naomi Miller, Clerk-Treasurer; Ron Troyer, President of the Town Council; and Stewart Bender, Town Manager.