

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF GREENVILLE

FLOYD COUNTY, INDIANA

January 1, 2017 to December 31, 2019



FILED
04/09/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jack Travillian	01-01-16 to 12-31-23
President of the Town Council	Greg Redden	01-01-17 to 12-31-20
Superintendent of Water Utility	Steven Schmitt (Vacant) Audi Findley	07-01-17 to 04-04-18 04-05-18 to 07-08-18 07-09-18 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF GREENVILLE, FLOYD COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Greenville (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 26, 2020

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CLERK-TREASURER
TOWN OF GREENVILLE

CLERK-TREASURER
TOWN OF GREENVILLE
AUDIT RESULTS AND COMMENTS

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Clerk-Treasurer incorrectly certified in the Annual Financial Reports that the Town had adopted internal control standards and had conducted the required training concerning those internal control standards. The Town had not adopted the acceptable minimum level of internal controls standards or administer training.

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](#)."

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in prior Report B49123, entitled *INTERNAL CONTROLS*.

Condition and Context

The Town did not have adequate segregation of duties, such as an oversight, review, or approval process, in place to prevent, or detect and correct, material misstatement within the financial reporting system of the Town related to cash and investments, receipts, and financial close and reporting.

Cash and Investments

The Clerk-Treasurer prepared the monthly reconcilements of the bank balances to the funds ledger. The Town had designed an internal control in which the President of the Town Council would review and approve the reconcilements; however, the control was not properly implemented. For most months of the audit period, there was no documentation or other evidence, such as a signature of approval, to indicate that the review of the reconcilements occurred.

Receipts

Due to the small size of the Town, the same person was responsible for collecting money, preparing receipts, and posting all transactions to the ledger. There was no evidence of an independent review process or other control procedures to ensure that receipts were properly handled when received and accurately posted to the financial records.

Financial Close and Reporting

The Clerk-Treasurer entered the Annual Financial Reports into the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statements. There was no evidence to indicate that someone other than the Clerk-Treasurer was involved in the financial close and reporting process or that an independent review process was in place to ensure the accuracy of the information reported.

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

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. . . ."

CONDITION OF RECORDS

A similar comment also appeared in prior Report B49123, entitled *CONDITION OF RECORDS*.

Condition and Context

The Annual Financial Reports entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statements, did not agree to the Town's funds ledger and did not properly reflect the financial activity of the Town for the audit period. The activity of the Water Utility Bond and Interest fund was completely omitted. As a result, receipts were understated by \$81,021 and \$79,705 in 2018 and 2019, respectively, and disbursements were understated by \$80,929 and \$79,690 in 2018 and 2019, respectively. Small variances were also noted between the financial statements and the funds ledger for several other funds during the audit period.

Audit adjustments were proposed, accepted by the Town, and made to the financial statements.

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](#)."

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

HISTORIC PRESERVATION COMMISSION

Condition and Context

On September 12, 2016, the Town Council passed Ordinance No. 2016-TR-028 establishing a Historic Preservation Commission (Commission), as allowed by Indiana Code 36-7-11-4, and designated one member of the Town Council to serve on the Commission. Serving in the Commission's capacity, this member obtained the Town's federal taxpayer identification number and established a bank account for the Commission with the Town listed as the account holder. However, the Clerk-Treasurer was never granted signature authority on the account. The funds are therefore spent at the Commission's discretion, with no involvement or approval from the Clerk-Treasurer. Additionally, the bank statement is mailed directly to the Commission, thus bypassing the Clerk-Treasurer. As a result, the activity of this account is not reflected in the Town's records or as part of its financial reporting.

Criteria

Indiana Code 36-5-6-6(a) states in part:

"The clerk-treasurer shall do the following:

- (1) Receive and care for all town money and pay the money out only on order of the town legislative body.
- (2) Keep accounts showing when and from what sources the clerk-treasurer has received town money and when and to whom the clerk-treasurer has paid out town money. . . ."

CAPITAL ASSET RECORDS

Condition and Context

The Town did not maintain detailed capital asset records, nor does it perform a physical inventory every two years as required. Additionally, the Town does not have a policy that documents the threshold at which an item is considered a capital asset.

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)

CLERK-TREASURER
TOWN OF GREENVILLE
EXIT CONFERENCE

The contents of this report were discussed on March 26, 2020, with Jack Travillian, Clerk-Treasurer, and Greg Redden, President of the Town Council.

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TOWN COUNCIL
TOWN OF GREENVILLE

TOWN COUNCIL
TOWN OF GREENVILLE
AUDIT RESULTS AND COMMENTS

ADOPTION OF AND TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The Town Council had not adopted the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts. The Town Council also did not ensure that personnel received training concerning the internal control standards and procedures adopted by the Town.

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."

HISTORIC PRESERVATION COMMISSION

Condition and Context

On September 12, 2016, the Town Council passed Ordinance No. 2016-TR-028 establishing a Historic Preservation Commission (Commission), as allowed by Indiana Code 36-5-7-11, and designated one member of the Town Council to serve on the Commission. Serving in the Commission's capacity, this member obtained the Town's federal taxpayer identification number and established a bank account for the Commission with the Town of Greenville listed as the account holder. However, the Clerk-Treasurer was never granted signature authority on the account. The funds are therefore spent at the Commission's discretion, with no involvement or approval from the Clerk-Treasurer. Additionally, the bank statement is mailed directly to the Commission, thus bypassing the Clerk-Treasurer. As a result, the activity of this account is not reflected in the Town's records or as part of its financial reporting.

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TOWN OF GREENVILLE
EXIT CONFERENCE

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