

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ORESTES

MADISON COUNTY, INDIANA

January 1, 2017 to December 31, 2019



FILED

04/13/2020

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|---------------------------------|--|
| Clerk-Treasurer | Erin A. Atwood | 01-01-16 to 12-31-23 |
| President of the Town Council | John Settle Catherine Bowyer | 01-01-17 to 12-31-19 01-01-20 to 12-31-20 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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TO: THE OFFICIALS OF THE TOWN OF ORESTES, MADISON COUNTY, INDIANA

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

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

March 24, 2020

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CLERK-TREASURER
TOWN OF ORESTES

CLERK-TREASURER
TOWN OF ORESTES
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER CASH AND INVESTMENTS,
RECEIPTS, AND FINANCIAL CLOSE AND REPORTING**

A similar comment appeared in the prior Report B49656.

Condition and Context

The Clerk-Treasurer collected money, issued receipts, deposited the collections, reconciled the information in the accounting ledger to the bank, completed the annual close-out procedures, and input the required information into the Annual Financial Report (AFR), all without any oversight, approval, or other internal control process to ensure the accuracy of the information input into the AFR.

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. . . ."

OVERDRAWN CASH BALANCE

The same comment also appeared in prior Reports B37608, B41252, and B49656.

Condition and Context

The Wastewater Utility-Operating fund was overdrawn at December 31, 2017, 2018, and 2019, by \$14,062; \$20,369; and \$35,008, respectively.

The Town has opted to not raise utility rates as the current bond issue will be paid off in 2022, and the deficit is projected to be eliminated soon after that.

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

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 Cities and Towns, Chapter 1)

CUSTOMER DEPOSIT REGISTER

The same comment also appeared in prior Reports B20116, B23477, B28600, B32543, B37608, B41252, and B49656.

Condition and Context

The Town's detailed customer deposit register did not agree with the cash balance in the Water Utility-Customer Deposit fund during the audit period. As of December 31, 2019, the Water Utility-Customer Deposit fund had a balance of \$12,591, but the detailed customer deposit register had a balance of \$7,135, resulting in an additional \$5,456 fund balance that is not accounted for in the subsidiary ledger. The Town's bank reconciliation funds agreed with the ending ledger balances for all funds. Due to bookkeeping issues and lack of records from prior years, the detail for the Customer Deposit Register could not be determined.

Criteria

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

MOTOR VEHICLE HIGHWAY RESTRICTED FUND

Condition and Context

The Town had not established a new sub-fund or allocated 50 percent of the distributions from the State Motor Vehicle Highway (MVH) Account to MVH Restricted during the audit period.

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 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)

**TOWN OF ORESTES
14 E. OAK STREET
P.O. BOX 158
ORESTES, IN 46063**

April 9, 2020

OFFICIAL RESPONSE

Indiana State Board of Accounts
302 W. Washington Street, Room E418
Indianapolis, IN 46204-2765

This is the Official Response of the Town of Orestes regarding the recently completed audit for the period examined of January 1, 2017 through December 31, 2019.

Internal Controls Over Cash and Investments, Receipts, and Financial Close and Reporting

The Town of Orestes adopted Ordinance 5-18 on December 31, 2018 citing minimum levels of internal control standards developed by State Board of Accounts as published in the Uniform Internal Control Standards for Indiana Political Subdivisions. However, unit specific procedures were not implemented. Unit specific procedures are being defined and implemented at this time.

It is our ultimate goal to comply with all Indiana guidelines regarding the finances of the Town of Orestes.

We are in the process of implementing doable policies and procedures for use now and in the future for the financial protection and stability of our community.

Overdrawn Cash Balance

We will be making a temporary loan to the Wastewater Cash Operating Fund from the Loans for Unsafe Structure Removal Fund. This will be done by Ordinance following the guidelines set forth in IC 36-1-3.

Customer Deposit Register

This repeat finding is due to incorrect and incomplete records during the pervious Clerk Treasurer's term, prior to 1996. At this time, the Clerk Treasurer is determining from current records what the actual fund balance should be. Once determined, the excess fund balance will be transferred to the Cash Operating Fund.

Motor Vehicle Highway Restricted Fund

Fifty percent (50%) of the Motor Vehicle Highway monies received from July 1, 2018 through December 31, 2019 have been transferred from the Motor Vehicle Highway Fund into the Motor Vehicle Highway Restricted Fund via Resolution. Motor Vehicle Highway monies received beginning January 1, 2020 have been receipted into the Motor Vehicle Highway Fund and Motor Vehicle Highway Restricted Fund correctly with 50% going to each.

CLERK-TREASURER
TOWN OF ORESTES
EXIT CONFERENCE

The contents of this report were discussed on March 24, 2020, with Erin A. Atwood, Clerk-Treasurer; Catherine Bowyer, President of the Town Council; Steve Kirby, Town Council member; and Kathryn Lawhorn, Town Council member.

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TOWN COUNCIL
TOWN OF ORESTES

TOWN COUNCIL
TOWN OF ORESTES
AUDIT RESULT AND COMMENT

***INTERNAL CONTROLS OVER CASH AND INVESTMENTS,
RECEIPTS, AND FINANCIAL CLOSE AND REPORTING***

Condition and Context

The Town Council had not established compensating controls over the significant areas of Cash and Investments, Receipts, and Financial Close and Reporting. The Clerk-Treasurer collected money, issued receipts, deposited the collections, reconciled the information in the accounting ledger to the bank, completed the annual close-out procedures, and input the required information into the Annual Financial Report (AFR), all without any oversight, approval, or other internal control process to ensure the accuracy of the information input into the AFR.

Criteria

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TOWN OF ORESTES
EXIT CONFERENCE

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