

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF NORTH JUDSON

STARKE COUNTY, INDIANA

January 1, 2017 to December 31, 2018



**FILED**  
04/17/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Alicia Collins Andrew J. Rowe	01-01-17 to 10-22-17 10-23-17 to 12-31-23
President of the Town Council	Wendy Hoppe John Rowe	01-01-17 to 12-31-18 01-01-19 to 12-31-20
Superintendent of Water Utility	Marshall Horstmann Randy Schwartz Joseph Leszek III	01-01-17 to 01-20-19 01-21-19 to 03-27-19 03-28-19 to 12-31-20
Superintendent of Wastewater Utility	Marshall Horstmann Randy Schwartz Joseph Leszek III	01-01-17 to 01-20-19 01-21-19 to 03-27-19 03-28-19 to 12-31-20



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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TO: THE OFFICIALS OF THE TOWN OF NORTH JUDSON, STARKE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of North Judson (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/](http://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

April 6, 2020

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CLERK-TREASURER  
TOWN OF NORTH JUDSON

CLERK-TREASURER  
TOWN OF NORTH JUDSON  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

The same comment also appeared in prior Report B49613.

*Condition and Context*

There were several deficiencies in the internal control system at the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to receipts, disbursements, and financial reporting.

*Receipts*

*Town Receipts*

The Town did not have effective controls in place to ensure that collections were properly receipted into the correct fund. One person had the ability to generate the receipts, record the receipts, prepare the deposit ticket, and deposit the monies to the bank without oversight or review. Once the receipt was posted, no one other than the Clerk-Treasurer (who entered the receipt into the financial software) reviewed the receipts to ensure that they were entered for the correct amount and in the correct fund.

*Utility Billings*

Adjustments were made to utility billings by the Utility Billing Clerk without oversight or review.

*Disbursements*

*Vendor*

The Town did not have effective controls in place to ensure that the claims agreed to supporting documentation and were posted to the correct fund. One person generated and recorded the claims without proper oversight or review.

*Payroll*

The Town did not have effective controls in place to ensure that payroll disbursements were calculated correctly and recorded in the correct fund. Payroll disbursements were prepared and recorded by the Clerk-Treasurer without proper oversight or review to ensure that employees were paid the correct amount and from the correct fund.

*Financial Close and Reporting*

The Clerk-Treasurer entered the financial information in the Indiana Gateway for Government Units financial reporting system, which is the source of the Annual Financial Report (AFR) and the financial statement. The Council reviewed and approved the AFR prior to the Clerk-Treasurer's submission; however, the review process was not documented.

CLERK-TREASURER  
TOWN OF NORTH JUDSON  
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. . . ."

**CERTIFICATION OF TRAINING ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The Town failed to ensure that training was provided for all personnel over the internal control standards adopted as required by Indiana Code 5-11-1-27(g). The Town did not have documentation that the Clerk-Treasurer had received the training over internal control standards; however, the Clerk-Treasurer certified on the Indiana Gateway for the Government Units financial reporting system that they had provided all applicable employees with 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](#)."

CLERK-TREASURER  
TOWN OF NORTH JUDSON  
EXIT CONFERENCE

The contents of this report were discussed on April 6, 2020, with Andrew J. Rowe, Clerk-Treasurer; John Rowe, President of the Town Council; Josh Brown, Town Council member; and Jennifer Vanek, Billing Clerk.

TOWN COUNCIL  
TOWN OF NORTH JUDSON

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AUDIT RESULTS AND COMMENTS

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TOWN COUNCIL  
TOWN OF NORTH JUDSON  
AUDIT RESULTS AND COMMENTS  
(Continued)

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**TRAINING ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The Town failed to ensure that training was provided for all personnel over the internal control standards adopted as required by Indiana Code 5-11-1-27(g). The Town did not have documentation that the Clerk-Treasurer received the training over internal control standards.

*Criteria*

Indiana 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

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TOWN OF NORTH JUDSON  
EXIT CONFERENCE

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