

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ARCADIA

HAMILTON COUNTY, INDIANA

January 1, 2017 to December 31, 2019



FILED
04/29/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jennifer Pickett	01-01-17 to 12-31-23
President of the Town Council	Randy Hill	01-01-17 to 12-31-17
	Mitch Russell	01-01-18 to 12-31-18
	Maurice St. Louis	01-01-19 to 12-31-19
	Mitch Russell	01-01-20 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF ARCADIA, HAMILTON COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Arcadia (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

April 9, 2020

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CLERK-TREASURER
TOWN OF ARCADIA

CLERK-TREASURER
TOWN OF ARCADIA
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

A similar comment also appeared in prior Report B48889, entitled *TRANSACTION RECORDING*.

Condition and Context

The 2014 SRF Fund transactions were not included in the Annual Financial Report (AFR) or the Town's records during 2017, and the Wastewater Utility-SRF fund transactions were not included in the AFR or the Town's records during 2018 and 2019. Additionally, the AFR did not properly reflect the activity of the Community Crossing Matching Grant fund for 2017 and the 2014 SRF Fund for 2018 and 2019.

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](#)."

BANK ACCOUNT RECONCILIATIONS

Condition and Context

Fund reports used in the bank reconciliation process did not include bank accounts for the 2014 SRF Fund and the Wastewater Utility-SRF fund. Additionally, one of the six bank account reconciliations selected for testing was not completed timely after month-end.

Criteria

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

INTERNAL CONTROLS

This same comment appeared in prior Report B48889.

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

Condition and Context

There were deficiencies in the internal control system of the Town related to cash and investments, and financial close and reporting.

Cash and Investments

The Town had not properly designed and implemented internal controls over cash and investments. Town procedures were for one employee to prepare the bank reconciliations and for another employee to review and initial the reconciliation; however, the procedure was not consistently followed. Review of all bank reconciliations for the audit period found that out of the 36 months of the audit period, Town procedures were only followed for 8 months of the audit period.

Financial Close and Reporting

The Town had not established an effective internal control system over the preparation of the Town's AFR in the Indiana Gateway for Government Units (Gateway) financial reporting system. The Clerk-Treasurer entered financial information for the Town's AFR into Gateway without any documented 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 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. . . ."

CLERK-TREASURER
TOWN OF ARCADIA
EXIT CONFERENCE

The contents of this report were discussed on April 9, 2020, with Jennifer Pickett, Clerk-Treasurer, and Mitch Russell, President of the Town Council.