

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ROYAL CENTER

CASS COUNTY, INDIANA

January 1, 2018 to December 31, 2018



FILED
05/22/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sandra S. Minnick Leah Campbell Katie Pearson	01-01-17 to 10-23-18 10-24-18 to 03-31-19 04-01-19 to 12-31-20
President of the Town Council	Marion Campbell Berthold Stover	01-01-18 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
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INDIANAPOLIS, INDIANA 46204-2769

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TO: THE OFFICIALS OF THE TOWN OF ROYAL CENTER, CASS COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Royal Center (Town), for the period from January 1, 2018 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 Results and Comments, incorporated within this report, was not verified for accuracy.

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

May 19, 2020

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CLERK-TREASURER
TOWN OF ROYAL CENTER

CLERK-TREASURER
TOWN OF ROYAL CENTER
AUDIT RESULTS AND COMMENTS

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 not separated incompatible activities related to cash and investments, receipts, and financial reporting. The failure to establish these controls enabled material misstatements to occur and remain undetected.

Cash and Investments

The Town did not have effective controls in place to ensure that bank reconciliations were accurately prepared. There were no controls to ensure that all bank accounts of the Town were included in the monthly reconciliations.

Receipts

The Town did not have controls in place to ensure accurate recording and reporting of receipts. The Clerk-Treasurer was solely responsible for the receipting process without any oversight or review process.

Financial Close and Reporting

The Clerk-Treasurer entered financial information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which is the source of the Annual Financial Report and the financial statement. There was no oversight or review process to ensure accuracy prior to submission into Gateway.

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 ROYAL CENTER
AUDIT RESULTS AND COMMENTS
(Continued)

ANNUAL FINANCIAL REPORT

Condition and Context

The Town's financial information reported in the Annual Financial Report and financial statement presented for audit understated receipts in the Wastewater Construction Fund by \$479,742, which also understated the ending cash and investment balance by the same amount.

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

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

The bank reconciliations did not include all of the bank accounts belonging to the Town. The Town did not reconcile the bank accounts for the Bank of New York Mellon during the audit period.

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."

RECEIPT ISSUANCE

Condition and Context

Loan proceeds received in the Wastewater Construction Fund were not recorded at the time of the transaction. Receipts were recorded when drawdowns were made for expenditures, which resulted in the receipts being posted up to six months after they were received.

Criteria

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF ROYAL CENTER
EXIT CONFERENCE

The contents of this report were discussed on May 19, 2020, with Katie Pearson, Clerk-Treasurer, and Berthold Stover, President of the Town Council.

TOWN COUNCIL
TOWN OF ROYAL CENTER

TOWN COUNCIL
TOWN OF ROYAL CENTER
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

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TOWN OF ROYAL CENTER
EXIT CONFERENCE

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