

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ELBERFELD

WARRICK COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED

08/19/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mandy Kirsch	01-01-19 to 12-31-20
President of the Town Council	Marty Walters	01-01-19 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF ELBERFELD, WARRICK COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Elberfeld (Town), for the period from January 1, 2019 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 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 Audit Results and Comments, incorporated within this report, was not verified for accuracy.

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

July 22, 2020

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CLERK-TREASURER
TOWN OF ELBERFELD

CLERK-TREASURER
TOWN OF ELBERFELD
AUDIT RESULTS AND COMMENTS

MOTOR VEHICLE HIGHWAY RESTRICTED

Condition and Context

The Town did not create a new MVH Restricted sub-fund, nor did they report the MVH Restricted sub-fund separately on the Annual Financial Report. In addition, the Town did not allocate 50 percent of funds from the State Motor Vehicle Highway Account to the MVH Restricted sub-fund at the time of receipt.

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. . . .

On the chart of accounts, the MVH Fund and MVH Restricted sub-fund shall be shown as follows:

. . .

Cities and Towns

Fund 201 MVH
Fund 203 MVH Restricted.

Together, MVH and MVH Restricted shall constitute the total MVH Fund. MVH and MVH Restricted will be shown separately on the Annual Financial Report . . .

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)

CAPITAL ASSET RECORDS

The same comment also appeared in prior Reports B38253, B41033, B46818, B53902, and B54001.

Condition and Context

The Town and Utilities did not maintain sufficient and detailed records of capital assets. The records presented for audit were not maintained with current or complete asset information of the Town and Utilities.

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 ELBERFELD
AUDIT RESULTS AND COMMENTS
(Continued)

CUSTOMER DEPOSIT REGISTER

The same comment also appeared in prior Reports B29846, B38253, B41033, B46818, B53902, and B54001.

Condition and Context

The detailed customer deposit register did not reconcile with the cash and investment balance of the Water Utility Meter Deposit fund amount recorded on the general ledger.

Criteria

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS

The same comment also appeared in prior Reports B53902 and B54001.

Condition and Context

There was a deficiency in the internal control system of the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to financial close and reporting. The failure to establish controls could have enabled material misstatements to occur and remain undetected.

Financial Close and Reporting

One individual entered the Town's financial information into the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Report and financial statement. There was no evidence that an oversight, review, or approval process was in place to ensure the accuracy of the information entered.

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.

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

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 ELBERFELD
EXIT CONFERENCE

The contents of this report were discussed on July 22, 2020, with Mandy Kirsch, Clerk-Treasurer, and Marty Walters, President of the Town Council.