

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF TROY

PERRY COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED
09/23/2020

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Motor Vehicle Highway State Distributions	6
Internal Controls over Financial Transactions and Reporting.....	6-7
Exit Conference	8
Town Council:	
Audit Result and Comment:	
Internal Controls over Financial Transactions and Reporting.....	10-11
Exit Conference	12

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jane Efinger-Hayden	01-01-19 to 12-31-19
	Kerry Schutzius-Kleeman	01-01-20 to 01-13-20
	(Vacant)	01-14-20 to 01-26-20
	Linda J. Crawford	01-27-20 to 12-31-20
President of the Town Council	Jay Oliva	01-01-19 to 12-31-19
	Linda J. Crawford	01-01-20 to 01-26-20
	(Vacant)	01-27-20 to 02-11-20
	Roger Fella	02-12-20 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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE TOWN OF TROY, PERRY COUNTY, INDIANA

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

September 16, 2020

(This page intentionally left blank.)

CLERK-TREASURER
TOWN OF TROY

CLERK-TREASURER
TOWN OF TROY
AUDIT RESULTS AND COMMENTS

MOTOR VEHICLE HIGHWAY STATE DISTRIBUTIONS

Condition and Context

Fifty percent of the monthly distributions from the State Motor Vehicle Highway (MVH) Account were not receipted into the MVH Restricted fund in 2019. Of the six distributions, \$4,331 should have been receipted into the MVH Restricted fund.

Criteria

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)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The internal control procedures in place were not effective for activities related to cash and investments, receipts, disbursements, and financial close and reporting.

Cash and Investments

The Town had not established a system of internal controls that would have ensured that cash and investment balances agreed to the ledgers and financial statement. The Clerk-Treasurer was properly performing monthly bank reconciliements without any documented oversight, review, or approval procedures in place to ensure their accuracy.

Receipts

The Town had not established a system of internal controls or separated incompatible activities related to receipts that would have ensured that receipts were recorded accurately. The Clerk-Treasurer was solely responsible for recording all receipts without any documented oversight, review, or approval procedures in place to ensure their accuracy.

Disbursements

The Town had not established a system of internal controls or separated incompatible activities related to disbursements that would have ensured that disbursements were recorded accurately. The Clerk-Treasurer was solely responsible for processing, recording, and signing checks for disbursements without any documented oversight, review, or approval procedures in place to ensure their accuracy.

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

Financial Close and Reporting

The Clerk-Treasurer entered and submitted financial information for the Town into the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Report (AFR) and financial statement. The AFR did not include a United States Department of Agriculture (USDA) loan on the financial statement, which resulted in the understatement of receipts and disbursements by \$2,007,197 and \$2,006,916, respectively.

The Town had not established a system of internal controls or separated incompatible activities related to financial close and reporting that would have ensured that financial close and reporting was accurate. There was no evidence of a control, such as an oversight, review, or approval process, to ensure the accuracy of the information entered and submitted.

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

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. . . ."

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."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF TROY
EXIT CONFERENCE

The contents of this report were discussed on September 16, 2020, with Linda J. Crawford, Clerk-Treasurer, and Roger Fella, President of the Town Council.

TOWN COUNCIL
TOWN OF TROY

TOWN COUNCIL
TOWN OF TROY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The internal control procedures in place were not effective for activities related to cash and investments, receipts, disbursements, and financial close and reporting.

Cash and Investments

The Town had not established a system of internal controls that would have ensured that cash and investment balances agreed to the ledgers and financial statement. The Clerk-Treasurer was properly performing monthly bank reconciliations without any documented oversight, review, or approval procedures in place to ensure their accuracy.

Receipts

The Town had not established a system of internal controls or separated incompatible activities related to receipts that would have ensured that receipts were recorded accurately. The Clerk-Treasurer was solely responsible for recording all receipts without any documented oversight, review, or approval procedures in place to ensure their accuracy.

Disbursements

The Town had not established a system of internal controls or separated incompatible activities related to disbursements that would have ensured that disbursements were recorded accurately. The Clerk-Treasurer was solely responsible for processing, recording, and signing checks for disbursements without any documented oversight, review, or approval procedures in place to ensure their accuracy.

Financial Close and Reporting

The Clerk-Treasurer entered and submitted financial information for the Town into the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Report (AFR) and financial statement. The AFR did not include a United States Department of Agriculture (USDA) loan on the financial statement, which resulted in the understatement of receipts and disbursements by \$2,007,197 and \$2,006,916, respectively.

TOWN COUNCIL
TOWN OF TROY
AUDIT RESULT AND COMMENT
(Continued)

The Town had not established a system of internal controls or separated incompatible activities related to financial close and reporting that would have ensured that financial close and reporting was accurate. There was no evidence of a control, such as an oversight, review, or approval process, to ensure the accuracy of the information entered and submitted.

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

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. . . ."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN COUNCIL
TOWN OF TROY
EXIT CONFERENCE

The contents of this report were discussed on September 16, 2020, with Linda J. Crawford, Clerk-Treasurer, and Roger Fella, President of the Town Council.