

**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, 2019 to December 31, 2019



**FILED**  
10/30/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Andrew J. Rowe	01-01-19 to 12-31-20
President of the Town Council	John Rowe	01-01-19 to 12-31-20
Superintendent of Water Utility	Marshall Horstmann Randy Schwartz Joseph Leszek III	01-01-19 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	01-01-19 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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Telephone: (317) 232-2513  
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Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

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, 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/](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

October 7, 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 B54964.

*Condition and Context*

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

*Receipts*

*General Receipts*

The Town did not have effective internal 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 receipt, prepare the deposit ticket, and deposit the monies to the bank without oversight or review. Once the receipt was posted, only the Clerk-Treasurer (who entered the receipt into the financial software) reviewed the receipts to ensure they were entered correctly for the amount and fund.

*Utility Billings Receipts*

The Town did not have effective system of internal controls in place to ensure that Utility adjustments were properly made and to the correct account. Adjustments were made to utility billings by the Utility Billing Clerk without a system of review or oversight.

*Disbursements*

*Vendor*

The Town did not have effective internal controls in place to ensure that vendor disbursements agreed to supporting documentation and were recorded in the correct fund. One person generated and recorded the disbursements without a proper system of oversight or review.

*Payroll*

The Town did not have effective internal controls in place to ensure that payroll disbursements were calculated correctly and recorded in the proper fund. Payroll disbursements were prepared and recorded by the Clerk-Treasurer without a system of oversight or review.

*Financial Close and Reporting*

The Clerk-Treasurer entered the financial information in the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report (AFR) and financial statement. The Town 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 ON INTERNAL CONTROL STANDARDS**

The same comment also appeared in prior Report B54964.

*Condition and Context*

The Clerk-Treasurer incorrectly certified on the Annual Financial Report that the Town had provided employees with internal control training; however, no documentation was provided indicating that personnel had completed such 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](#)."

**MOTOR VEHICLE HIGHWAY - RESTRICTED FUND**

*Condition and Context*

The Town did not properly record the correct amounts into the Motor Vehicle Highway Restricted fund. Local distributions in the amount of \$6,456 and \$6,702 were posted entirely to the MVH fund, instead of posting 50 percent to the MVH Restricted fund.

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

*Criteria*

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

**GATEWAY UPLOADS**

*Condition and Context*

The Town did not comply with State Examiner Directive 2018-1 and did not upload any of the monthly or annual files required on the Indiana Gateway for Government Units financial reporting system for the audit period.

*Criteria*

Beginning with July 2018 files, which will be due September 15, 2018, all . . . towns . . . will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. . . .

The following files and governmental unit information are required to be uploaded monthly:

- Bank reconcilements
- Approved board minutes
- Funds ledger, summarizing total receipts, disbursements, and balances by fund . . .

The following files and governmental unit information are required to be uploaded annually:

- Year-end bank statement
- Year-end outstanding check list
- Year-end investment statements . . .
- Current year salary ordinance . . . (State Examiner Directive 2018-1)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)



INCORPORATED TOWN OF  
NORTH JUDSON  
INDIANA 46366

**OFFICIAL RESPONSE TO AUDIT FINDINGS FOR 2019  
PREPARED BY THE TOWN OF NORTH JUDSON  
10/17/2020**

**SUBJECT: FINANCIAL TRANSACTIONS & REPORTING  
FINDING: MATERIAL WEAKNESS – INTERNAL CONTROLS**

Response Contact Person: Andrew J. Rowe

Contact Number: 574-896-3340

This document is to serve as a response and attachment to the 2019 Financial Audit of the Town of North Judson completed in October 2020.

On behalf of the Town of North Judson, I would like to thank the State Board of Accounts and the field examiners conducting the audit for their time and expertise in conducting this audit. Having taken over this position of Clerk-Treasurer for the Town of North Judson part-way through my predecessors term has had it's challenges but training opportunities, the expertise of my colleagues throughout the state, and recent audits have shed light on and strengthened the financial operations of the Town of North Judson.

**RESPONSE: INTERNAL CONTROLS &**

Since the presentation of the 2017-2018 Audit Findings in the spring of 2020, the Town of North Judson, through the Clerk-Treasurer's office, has taken measures to address certain deficiencies. With just two full-time employees at the Town Hall, it is at times difficult to segregate certain duties while conducting the day-to-day, routine business of the Town, our utilities, as well as the financial and administrative functions of our Police, Fire, Street, and Parks Departments, along with our railroad operations. Specifically, receipts and deposits are now checked for accuracy and delivered for deposit by two separate individuals. Adjustments to utility billings are presented to the Town Council at Regular Council Meetings for approval before implementation. In 2019, the Town was able to hire a part-time deputy clerk and this individual now assists with ensuring that claims and payroll disbursements submitted and signed by department heads are entered accurately and in the correct fund. Accordingly, the Town Council's acceptance and approval of the 2020 Annual Financial Report will be properly documented.

**RESPONSE: CERTIFICATION OF INTERNAL CONTROL STANDARDS**

Upon working through the numerous tasks involved in the Internal Control Standards process in November 2017, the official certification document was not completed until 2020 when the 2017-2018

Financial Audit was performed; in 2021, certification on internal control standards will be correctly certified and documented training has been provided as of 3/16/2020

**RESPONSE: MOTOR VEHICLE HIGHWAY – RESTRICTED FUND**

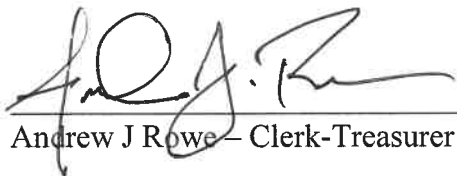
Per Indiana Code 8-14-1-5(c), all funds distributed to the Town from the motor vehicle highway account will be split (50/50) between the Town’s MVH Fund (201) and MVH Restricted Fund (203).

**RESPONSE: GATEWAY UPLOADS**

The Town has been and will continue working to comply with the State Examiner’s Directive requiring the digital submission or monthly and yearly reconcilements, minutes, funds ledgers, etc.

Given the timing of the audits performed in 2020, the implementation of corrective actions following and relevant to the findings of the 2017-2018 Financial Audit would not have been reflected in the year 2019. Both audits and their accompanying findings were carried out and illuminated in 2020; hence, it would have been impossible to retroactively implement certain corrective actions (now established) in 2019.

Again, I’d like to thank the State Board of Accounts and the field examiners conducting the audit for their time and expertise in conducting this audit.



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Andrew J Rowe – Clerk-Treasurer

CLERK-TREASURER  
TOWN OF NORTH JUDSON  
EXIT CONFERENCE

The contents of this report were discussed on October 7, 2020, with Andrew J. Rowe, Clerk-Treasurer; John Rowe, President of the Town Council; Josh Brown, Vice President of the Town Council; and Jane Ellen Flechuk, Town Council member.

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TOWN COUNCIL  
TOWN OF NORTH JUDSON

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AUDIT RESULTS AND COMMENTS  
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**TRAINING ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The Town did not ensure training was provided for all personnel over the adopted internal control standards.

*Criteria*

Indiana Code 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."

TOWN COUNCIL  
TOWN OF NORTH JUDSON  
EXIT CONFERENCE

The contents of this report were discussed on October 7, 2020, with Andrew J. Rowe, Clerk-Treasurer; John Rowe, President of the Town Council; Josh Brown, Vice President of the Town Council; and Jane Ellen Felchuk, Town Council member.