

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF CROTHERSVILLE

JACKSON COUNTY, INDIANA

January 1, 2018 to December 31, 2019



FILED
11/02/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Terry L. Richey Staci Peters	01-01-18 to 12-31-19 01-01-20 to 12-31-20
President of the Town Council	Danieta Foster	01-01-18 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF CROTHERSVILLE, JACKSON COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Crothersville (Town), for the period from January 1, 2018 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

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CLERK-TREASURER
TOWN OF CROTHERSVILLE

CLERK-TREASURER
TOWN OF CROTHERSVILLE
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Repeat

A similar comment also appeared in prior Report B51839, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

Internal controls over cash and investment, receipts, payroll disbursements, and financial close and reporting were insufficient:

Cash and Investments

Information presented for audit indicated that monthly bank reconciliations were not being performed timely.

Receipts

One employee in the Clerk-Treasurer's office was responsible for issuing receipts, making deposits, and posting receipt transactions. The activity related to receipts was not being reviewed or verified by someone other than the employee performing these activities.

Payroll Disbursements

Department heads approved their own time records. There were no internal controls in place, such as an oversight, review, or approval process, to ensure accuracy prior to payment.

Financial Close and Reporting

The Town did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the financial statement. Financial information entered into the Indiana Gateway for Government Units financial reporting system was not reviewed and approved by someone other than the person entering the data.

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 CROTHERSVILLE
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. . . ."

OVERDRAWN CASH BALANCES

Condition and Context

The following funds had deficit balances at December 31, 2019:

Fund	Amount Overdrawn
MVH Restricted	\$ 2,088
Park Nonreverting Capital	14,260
Community Grant Fund	4,482

The Community Grant Fund is for a reimbursement grant; however, the expenditures which, resulted in the deficit, were for costs incurred in regards to the Redevelopment Commission and are not reimbursable under the grant. These costs should have been charged to an appropriate fund.

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CAPITAL ASSETS

Condition and Context

The Town (including utilities) did not prepare or maintain a record of capital assets owned.

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 CROTHERSVILLE
EXIT CONFERENCE

The contents of this report were discussed on September 16, 2020, with Staci Peters, Clerk-Treasurer; Terry L. Richey, former Clerk-Treasurer; and Danieta Foster, President of the Town Council.