

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF ROCHESTER

FULTON COUNTY, INDIANA

January 1, 2018 to December 31, 2019



FILED
02/22/2021

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Internal Controls - Financial Transactions and Reporting.....	6-7
Capital Assets	7
Official Response.....	8
Exit Conference	9

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Shoda D. Beehler	01-01-18 to 12-31-21
Mayor	Theodore Denton	01-01-18 to 12-31-21
President of the Board of Public Works and Safety	Rick Figlio	01-01-18 to 12-31-18
	John Little	01-01-19 to 12-31-20
	Rick Figlio	01-01-21 to 12-31-21
President Pro Tempore of the Common Council	Brian Goodman	01-01-18 to 12-31-21



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF ROCHESTER, FULTON COUNTY, INDIANA

This report is supplemental to our audit report of the City of Rochester (City), 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 City. It should be read in conjunction with our Financial Statement Audit Report of the City, which provides our opinions on the City'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

February 3, 2021

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CLERK-TREASURER
CITY OF ROCHESTER

CLERK-TREASURER
CITY OF ROCHESTER
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS - FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

A similar comment appeared in prior Reports B44917 and B51994, entitled *INTERNAL CONTROLS*.

The City had established internal controls over financial reporting; however, the internal controls were not effective. Multiple material adjustments were required to be made to the financial statement to reconcile receipts, disbursements, and balances to the ledger balances. Audit adjustments totaling \$6,681,887 to receipts and \$6,682,872 to disbursements were proposed, accepted by the City, and made to the financial statement presented in the audit report.

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
CITY OF ROCHESTER
AUDIT RESULTS AND COMMENTS
(Continued)

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](#)."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CAPITAL ASSETS

Condition and Context

The Capital Assets Ledger presented for audit was incomplete and did not agree with the schedule presented in the Annual Financial Report as of December 31, 2019.

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)

City of Rochester

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Theodore J Denton, Mayor

Shoda D. Beehler, Clerk-Treasurer

OFFICIAL RESPONSE

Date: February 10, 2021

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

Re: Engagement for the City of Rochester, Audit Period 01/01/2018 – 12/31/2019

We would first like to thank our SBOA Audit Team. Given the COVID 19 pandemic and moving this engagement to a virtual setting certainly made for both a challenge and a blessing. Many times your office is met with a lot of criticism and not enough compliments, so we wanted to take a moment to thank you for your time, patience, and encouragement during this engagement with us. The professionalism and experience that you displayed along with the feedback you gave to our team really helped in understanding the SBOA side of this process, which was the blessing side and the challenge was the inability to really see all of our moving parts and documentation. However, the end result was an engagement that we feel was of great value to our understanding of the process.

Our unit takes pride in making decisions on a daily basis that many times begins with the phrase... "we need to document this for SBOA for audit or is this SBOA approved." We will make mistakes along the way and each engagement will be met with another new face (examiner) that will look at a process different than the previous examiner, so we will continue to strive for compliance, improvement, and transparency to the best of our ability. Given that our GL system is an accrual based software trying to retrofit into a cash operation there will always be challenges and mistakes, but documentation and continued strategy for improvement is our best approach.

So, in closing, we would again like to thank you for your kindness and experience as we know these letters are few and wanted to ensure you were recognized in a positive light.

Sincerely,

Shoda D. Beehler, IAMC
Clerk-Treasurer, City of Rochester

CLERK-TREASURER
CITY OF ROCHESTER
EXIT CONFERENCE

The contents of this report were discussed on February 3, 2021, with Shoda D. Beehler, Clerk-Treasurer; Theodore Denton, Mayor; Brian Goodman, President Pro Tempore of the Common Council; Carolyn Gray, Deputy Clerk-Treasurer; and Christine Bryant, Accounts Payable Clerk.