

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF CICERO

HAMILTON COUNTY, INDIANA

January 1, 2019 to December 31, 2020



FILED
12/07/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janice L. Unger Rhonda Gary	01-01-19 to 12-31-19 01-01-20 to 12-31-21
President of the Town Council	Chris Lutz Dan Strong	01-01-19 to 12-31-19 01-01-20 to 12-31-21



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF CICERO, HAMILTON COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Cicero (Town), for the period from January 1, 2019 to December 31, 2020. 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

November 18, 2021

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CLERK-TREASURER
TOWN OF CICERO

CLERK-TREASURER
TOWN OF CICERO
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in prior Report B53492, entitled *INTERNAL CONTROLS OVER FINANCIAL REPORTING*.

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, payroll disbursements, and financial reporting.

Receipts

The Town had not designed or implemented a review or oversight process over receipts to ensure the accuracy, completeness, timeliness, and classification of the receipts posted.

Payroll Disbursements

A review process had been designed to ensure the accuracy, completeness, and classification of the payroll disbursements; however, documentation of the review was not retained, and implementation of the process could not be verified.

Financial Reporting

The Town prepared and submitted the financial information into the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statement, from the Town's financial accounting system. An oversight and review process had been designed, implemented, and documented; however, the control was determined to not be effective as it did not prevent, detect or correct the following:

1. The Town had not reported \$1,428,810 in receipts in the 2019 WW SRF CONSTRUCTION BOND fund for State Revolving Fund (SRF) loan proceeds reimbursed draw down requests.
2. The receipt and disbursement activity of the CARES PROVIDER RELIEF FUND, CDBG-COVID GRANT, and CARES ACT GRANT HEALTH & PUBLIC SAFETY funds were posted to the financial software system; however, these funds were not reported in the financial statement, which resulted in an understatement of receipts and disbursements for 2020 of \$3,089, \$159,085, and \$159,039, respectively.

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

CLERK-TREASURER
TOWN OF CICERO
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. . . ."

MOTOR VEHICLE HIGHWAY (MVH) RESTRICTED FUND

Condition and Context

The Town created the Motor Vehicle Highway (MVH) Restricted fund as required. However, the Town did not allocate or deposit at least 50 percent of the distribution from the State Motor Vehicle Highway Account at the time of the receipt into the MVH Restricted fund. The \$8,741 MVH distribution for August 2019 was not allocated to the MVH Restricted fund, which resulted in less than 50 percent allocated.

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)

CLERK-TREASURER
TOWN OF CICERO
EXIT CONFERENCE

The contents of this report were discussed on November 18, 2021, with Rhonda Gary, Clerk-Treasurer; Janice L. Unger, former Clerk-Treasurer; and Dan Strong, President of the Town Council.