

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF RIDGEVILLE

RANDOLPH COUNTY, INDIANA

January 1, 2017 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	Arlinda Hardwick	01-01-17 to 12-31-21
President of the Town Council	Tom Friend Dodi Vanskyock	01-01-17 to 06-15-20 06-16-20 to 12-31-21
Superintendent of Water Utility	Scott Trausch	01-01-17 to 12-31-21
Superintendent of Wastewater Utility	Scott Trausch	01-01-17 to 12-31-21



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF RIDGEVILLE, RANDOLPH COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Ridgeville (Town), for the period from January 1, 2017 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 Statements Audit Report of the Town, which provides our opinions on the Town's financial statements. 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 RIDGEVILLE

CLERK-TREASURER
TOWN OF RIDGEVILLE
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment appeared in prior Report B48874, entitled *INTERNAL CONTROLS*.

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting.

Cash and Investments: The Clerk-Treasurer was solely responsible for performing monthly bank reconciliements. There was no documentation of an adequate internal control in place, such as oversight, review, or timely approval. Such internal controls would prevent or detect errors in a timely manner.

Receipts: The Clerk-Treasurer and Deputy Clerk-Treasurer both received collections, issued and recorded receipts, prepared the deposits, and took the deposits to the bank. An oversight or review process was not documented, nor was evidence of who performed which procedures documented.

Financial Close and Reporting: The Clerk-Treasurer prepared and submitted financial information into the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Report (AFR) and financial statements. There were no adequate internal controls in place, such as oversight, review, or approval process to ensure that the information submitted was accurate and timely.

The failure to establish these internal controls could enable material misstatements to go undetected.

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
TOWN OF RIDGEVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

ANNUAL FINANCIAL REPORT

Condition and Context

The Clerk-Treasurer prepared and submitted the Annual Financial Report (AFR) through the Indiana Gateway for Government Units financial reporting system for the Town and the Town's Utilities. The AFR submitted for 2017 contained material errors and did not match the records of the Town and the Town's Utilities. These errors resulted in total understatements for receipts and disbursements of \$244,749 and \$233,277, respectively. Audit adjustments were proposed, accepted by the Town, and made to the financial statement.

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](#)."

ERRORS ON CLAIMS - SUPPORTING DOCUMENTATION

Condition and Context

Claims did not have Town Council approval or the docket was missing for 6 of 95 claims tested. Also, disbursements totaling \$1,057 did not have adequate supporting documentation available to ensure the disbursement was paid to the proper vendor for the correct amount. Additionally, payroll transactions did not have adequate approval by a supervisor or department head for 11 of 43 timecards.

Criteria

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

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

CAPITAL ASSETS

Condition and Context

The Town did not present a capital asset policy, had not conducted a physical inventory, and while the Town did keep records of its capital assets, the capital asset records presented were incomplete.

Criteria

Every unit must have a capital asset 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)

MOTOR VEHICLE HIGHWAY RESTRICTED

Condition and Context

The Town had established a new MVH Restricted fund; however, the Town had not allocated 50 percent of the distributions from the state motor vehicle highway account to the MVH Restricted fund during the audit period.

Criteria

Indiana Code 8-14-1-5(c) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

ACCOUNTING FOR CORONAVIRUS RELIEF FUNDS

Condition and Context

The Town did not properly account for the Coronavirus Relief Fund (CRF) in accordance with the options outlined in State Examiner Directive 2020-3 (Directive).

The Town receipted the Indiana Finance Authority reimbursement for payroll of \$24,397 into the CARES Act Relief (CARES) fund. Expenditures were then inappropriately paid directly from the CARES fund. The expenditures upon which the reimbursement was based should have been recorded in the CARES fund, or the reimbursed amount transferred through the claims process to the General fund, which would have allowed the money to be expended for any general Town purpose. Either of these two methods would have allowed for the proper processing and recording of subsequent expenditures. The Town had a balance of \$24,397 in the CARES fund as of December 31, 2020.

Criteria

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options.

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

Option One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and re-appropriate the general fund (or other fund) in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the general fund (or other fund), it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once option one is completed, the cash balance of the separate CARES grant fund will be zero. No money shall remain in the separate CARES grant fund. . . .

Option Two. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020. . . . (State Examiner Directive 2020-3)

Town of Ridgeville
106 SOUTH WALNUT ST.
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OFFICIAL RESPONSE

Date: 11/26/2021

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

Re: Town of Ridgeville (January 1, 2017 to December 31, 2020)

To whom it may concern,

I am writing on behalf of the Town board of Ridgeville. In regard to our recent audit concerning a few issues that I truly apologize that we were not aware of: Out of the 3 board members none of us were ever informed when taking our seats that we needed to be signing time cards weekly. Only those with overtime hours so that will be taken care of now that we know. Also, on the subject of the current Marshal who is on a salary pay which is specified in our salary ordinance and does not work specific hours-we did not realize since he does not use a time clock that he needed to document hours on salary so we will also make sure that is done also.

Thank You for your time!

Dodi Vanskyock
Town Board President

CLERK-TREASURER
TOWN OF RIDGEVILLE
EXIT CONFERENCE

The contents of this report were discussed on November 18, 2021, with Arlinda Hardwick, Clerk-Treasurer; Dodi Vanskyock, President of the Town Council; and Dana Cox, Town Council member.