

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF DILLSBORO

DEARBORN COUNTY, INDIANA

January 1, 2019 to December 31, 2020



FILED
02/15/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rita Stevens	01-01-19 to 12-31-22
President of the Town Council	Mary Lou Powers	01-01-19 to 12-31-21
	Tom Wafford	01-01-22 to 12-31-22
Superintendent of Utilities	Doug Rump	01-01-19 to 08-31-21
	Donald Schmaltz (interim)	09-01-21 to 09-26-21
	Kyle Cleeter	09-27-21 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF DILLSBORO, DEARBORN COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Dillsboro (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

February 7, 2022

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CLERK-TREASURER
TOWN OF DILLSBORO

CLERK-TREASURER
TOWN OF DILLSBORO
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

The Town had not established an effective system of internal controls over receipts, payroll disbursements, and financial close and reporting.

Receipts

The Town had not separated incompatible activities related to receipts. The Clerk-Treasurer was primarily responsible for collecting cash and checks, preparing receipts, making bank deposits, and posting to the Town's financial system without a review or other oversight process.

Payroll Disbursements

The Town had not separated incompatible activities related to payroll disbursements. Payroll was processed by the Clerk-Treasurer without a documented review or approval process in place.

Financial Close and Reporting

The Clerk-Treasurer prepared and submitted the financial information into the Indiana Gateway for Government Units financial reporting system, which is the source of the Annual Financial Report (AFR) and financial statement. There were no internal controls in place to ensure the accuracy of the financial information prior to submission.

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 DILLSBORO
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. . . ."

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

The Town did not properly allocate 50 percent of the distributions from the State Motor Vehicle Highway Account to the MVH Restricted fund. During the audit period the Town received \$107,488 in distributions from the State Motor Vehicle Highway Account; however, only \$7,592 was allocated to the MVH Restricted fund. The remainder was allocated to the Motor Vehicle Highway fund.

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)

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."

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)

CLERK-TREASURER
TOWN OF DILLSBORO
EXIT CONFERENCE

The contents of this report were discussed on February 7, 2022, with Rita Stevens, Clerk-Treasurer; Tom Wafford, President of the Town Council; Mary Lou Powers, Town Council member; and Susan Greco, Town Manager.