

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ROCKVILLE

PARKE COUNTY, INDIANA

January 1, 2018 to December 31, 2019



FILED
03/31/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mark C. Spelbring Brandy L. Asher	01-01-18 to 12-31-18 01-01-19 to 12-31-22
President of the Town Council	Liddy Dowd-Wright David Brown	01-01-18 to 12-31-20 01-01-21 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF ROCKVILLE, PARKE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Rockville (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.

Beth Kelley, CPA, CFE
Deputy State Examiner

March 16, 2022

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CLERK-TREASURER
TOWN OF ROCKVILLE

CLERK-TREASURER
TOWN OF ROCKVILLE
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

The same comment also appeared in prior Report B52192.

Condition and Context

There were 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, disbursements, and financial close and reporting.

Receipts

The Town had implemented internal controls over receipts; however, the internal controls were not consistently applied during the audit period.

The Utility Clerk updated the electric utility tracking factor in the Keystone software. There was no evidence of an internal control, such as oversight, review, or approval process, over the update.

Disbursements

The Town had implemented an internal control over disbursements; however, the internal control was not consistently applied during the audit period.

Financial Close and Reporting

The Town had not established an effective system of internal control over the financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report and financial statement. There was no evidence of an internal control, such as oversight, review, or approval process.

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 ROCKVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Reports B37081, B40843, B48813, and B52192.

Condition and Context

The following funds were overdrawn on December 31, 2018 and 2019:

Fund	Amount Overdrawn 12-31-18	Amount Overdrawn 12-31-19
K9 Donations	\$ -	\$ 429
Public Safety	-	103,162
Swimming Pool	-	1,492
Operation Pullover	-	305
Howard Proj (Fed Share)	64,462	-
S Market Proj (Fed Share)	151,416	226,176
Community Crossings	-	6,579
Payroll Federal	18,615	18,637
Payroll Medicare W/H	334	334
Payroll PERF W/H	39,940	43,081
Pay - AFLAC	3,805	3,928

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 had not maintained a current listing of capital assets owned, which reflected their acquisition value, separated by the Town and Utilities.

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 ROCKVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS

A similar comment also appeared in prior Reports B40843, B48813, and B52192.

Condition and Context

The Town's records and the financial statement presented for audit contained the following errors:

1. The Water Debt Reserve fund investment of \$120,000 was recorded in the incorrect fund in the ledger. It was recorded in the Water Improvement fund.
2. Interest earned on investments was not posted to the ledger during the audit period. Unrecorded interest amounts were \$14,225 in 2018, and \$16,585 in 2019.
3. The CEDIT (COUNTYEDINCTAX) fund investment of \$10,000 was posted to the CEDIT (COUNTYEDINCTAX) fund and was also recorded as an investment in a separate fund on the ledger. This resulted in a \$10,000 overstatement of cash and investments.
4. The Town transferred money for the direct deposit of employee paychecks to the Payroll Direct Deposit fund; however, the payments were made to employees from the Payroll-Net fund. The two funds were netted for financial statement presentation.
5. The Town recorded the August 2018 Riverboat distribution of \$15,444 in the General Fund rather than the Riverboat fund.
6. The Town recorded the August 2018 LIT Certified Shares distribution of \$14,470 incorrectly. It was recorded as a \$10,000 receipt in the Swimming Pool fund rather than the full amount being recorded as a receipt in the General Fund.
7. The Town recorded the August 2019 Riverboat distribution of \$15,444 in the General Fund rather than the Riverboat fund.
8. Per Indiana Code 6-9-45-8, the Town's food and beverage tax was to be posted to the Food/Beverage Tax fund. For the months of October, November, and December 2019, 25 percent was posted to the Motor Vehicle Highway fund, and 75 percent to the Food/Beverage Tax fund, with a total of \$6,899 posted incorrectly to the Motor Vehicle Highway fund.

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

Criteria

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)

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

Indiana Code 6-9-45-8 states:

"(a) If a tax is imposed under section 3 of this chapter by a town, the town fiscal officer shall establish a food and beverage tax receipts fund.

(b) The town fiscal officer shall deposit in the fund all amounts received under this chapter.

(c) Money earned from the investment of money in the fund becomes a part of the fund."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity 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](#)."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Report B52192.

Condition and Context

The Town incorrectly certified on the Indiana Gateway for Government Units financial reporting system that the Town had adopted internal control standards; however, the Town had not adopted internal control standards.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity 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](#)."

ANNUAL FINANCIAL REPORT

Condition and Context

The Annual Financial Report (AFR) filed for 2019 did not match the Town's ledger. After filing the AFR, the Clerk-Treasurer made corrections to the Town's ledger but did not resubmit the AFR.

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

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity 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](#)."

DELINQUENT WASTEWATER ACCOUNTS

The same comment also appeared in prior Reports B48813 and B52192.

Condition and Context

Delinquent wastewater fees and penalties had not been recorded with the County Recorder, nor were they certified to the County Auditor, which would result in a lien against the property.

Criteria

Indiana Code 36-9-23-33 states in part:

". . . (c) Except as provided in subsection (m), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.
 - (B) A description of the premises, as shown by the records of the county auditor.
 - (C) The amount of the delinquent fees, together with the penalty.
- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent.

(d) The officer shall record a copy of each list or each individual instrument with the county recorder . . .

(f) . . . Using the lists and instruments prepared under subsection (c) and recorded under subsection (d), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (d), certify to the county auditor a list of the unpaid liens for collection with the next May installment of property taxes. . . ."

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

ELECTRIC FUEL ADJUSTMENT FEES

Condition and Context

For two months in 2019, an electric fuel adjustment fee was assessed on the customer utility bills. This fee was added to the customers' utility bills in error, which resulted in an overpayment by customers of \$29,228.

Criteria

Fees can only be collected as specifically authorized by law or properly authorized ordinance/resolution. When a fee is NOT specified by law, but instead through the use of an ordinance/resolution, sufficient authoritative reference should be maintained. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

FUND SOURCES AND USES

Condition and Context

In 2019, \$33,760 was paid from the Water Operating fund for payment on the fire truck loan. This should have been paid from the Public Safety fund.

Criteria

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ORDINANCES AND RESOLUTIONS

The same comment also appeared in prior Reports B48813 and B52192.

Condition and Context

The Town had an ordinance concerning the application of penalty charges for the late payment of utility bills. We identified delinquent not-for-profit and governmental customers that did not incur penalties for late payments. Exemption from penalty charges for not-for-profit or governmental customers was not specified in the ordinance.

The Town had an ordinance concerning the shut-off of utility services for nonpayment of bills. However, we noted during our testing for 2018 that five of twelve customers had an outstanding balance for several months without losing their utility service. In 2019, three of thirteen customers tested had an outstanding balance for several months without losing their utility service.

Criteria

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

ERRORS ON CLAIMS

Condition and Context

The same comment also appeared in prior Reports B40843, B48813, and B52192.

Of the 103 disbursements tested, we identified the following errors:

- Five Accounts Payable Vouchers Registers were not presented for audit; therefore, we could not determine if the disbursements for those months were certified by the Clerk-Treasurer or approved by the Town Council.
- Three disbursements did not have an accounts payable voucher or detailed invoice to determine the validity of the disbursements.

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. . . ."

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

The Town had not created the Motor Vehicle Highway Restricted fund as of January 1, 2019, as required. The fund was established in December 2019. The Town did not adhere to the uniform chart of accounts. Instead, the Town utilized a fund number that was specified as Levy Excess Fund when the fund was established.

When the fund was established, a transfer was made from the Motor Vehicle Highway fund to move the required 50 percent of the State Motor Vehicle Highway Distributions received to the MVH/Restricted fund.

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

The Town did not report the Motor Vehicle Highway fund and MVH/Restricted fund separately on the Annual Financial Report.

Criteria

The purpose of this Directive is to authorize and require . . . cities, and towns that receive distributions from the State Motor Vehicle Highway Account to **create a new sub-fund within the MVH Fund** to properly manage and account for the usage restrictions that were included in House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018. . . .

On the chart of accounts, the MVH Fund and MVH Restricted sub-fund shall be shown as follows:

...

Cities and Towns

Fund 201	MVH
Fund 203	MVH Restricted

Together, MVH and MVH Restricted shall constitute the total MVH Fund. MVH and MVH Restricted will be shown separately on the Annual Financial Report.

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)

CUSTOMER DEPOSITS

The same comment also appeared in prior Reports B48813 and B52192.

Condition and Context

The detail of the customer deposit records did not reconcile with the amounts recorded in the Light Meter Deposit and Water Meter Deposit funds (control). Many of the customer deposits were received when the Town had hand-posted records and a detail record was not reconciled to the control at that time. No detail from the hand-posted records was presented for audit.

On December 31, 2018, the detail customer deposit balance was \$209,174 and the control balance was \$303,532. On December 31, 2019, the detail customer deposit balance was \$224,124 and the control balance was \$307,267.

Criteria

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)

CLERK-TREASURER
TOWN OF ROCKVILLE
EXIT CONFERENCE

The contents of this report were discussed on March 16, 2022, with David Brown, President of the Town Council; Parke Swaim, Town Council member; Brandy L. Asher, Clerk-Treasurer; Liddy Dowd-Wright, Town Council member; Melissa Buell, Town Council member; and Mark C. Spelbring, former Clerk-Treasurer.

TOWN COUNCIL
TOWN OF ROCKVILLE

TOWN COUNCIL
TOWN OF ROCKVILLE
AUDIT RESULTS AND COMMENTS

ADOPTION OF INTERNAL CONTROL STANDARDS

Condition and Context

The Town had not adopted internal control standards as required by Indiana Code 5-11-1-27(g).

Criteria

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and . . ."

ORDINANCES AND RESOLUTIONS

The same comment also appeared in prior Reports B37081, B40843, B48813, and B52192.

Condition and Context

The Town had not adopted an ordinance stating an amount to be charged for electric utility customer deposits. Ordinance 95-605 stated customer deposits will be collected based on an average of six months' usage; however, a flat rate deposit was being collected.

Criteria

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Fees can only be collected as specifically authorized by law or properly authorized ordinance/resolution. When a fee is NOT specified by law, but instead through the use of an ordinance/resolution, sufficient authoritative reference should be maintained. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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