

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, 2020 to December 31, 2020



FILED
03/31/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Brandy L. Asher	01-01-20 to 12-31-22
President of the Town Council	Liddy Dowd-Wright David Brown	01-01-20 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, 2020 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.

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 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 an oversight, review, or approval process over the update.

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 (AFR) and financial statement. There was no evidence of an internal control such as an oversight, review, or approval process.

The AFR did not properly reflect the financial activity of the Town. The Town recorded activity for the Office of Community Rural Affairs (OCRA) grant to two different OCRA Grant funds on the ledger. This resulted in reported receipts and disbursements each being overstated by \$1,611,322.

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

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)

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

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

CONDITION OF RECORDS

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

Condition and Context

The Town's records 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. This resulted in the understatement of \$13,802 in interest.
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 recorded activity for the Office of Community Rural Affairs (OCRA) grant to two different OCRA Grant funds on the ledger. This resulted in receipts being overstated by \$1,611,322 and disbursements being overstated by \$1,611,322.
5. The Town recorded the October LIT Certified Shares distribution of \$15,354 in the Public Safety fund instead of the General Fund.
6. The Town recorded the April S Market Project reimbursement of \$20,008 in the S Market Project (Local Share) fund instead of the S Market Project (Fed Share) fund.
7. The Town recorded the April Howard Project reimbursement of \$68,017 in the Howard Project (Local Share) fund instead of the Howard Project (Fed Share) 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 month of January, 50 percent was posted to the Motor Vehicle Highway fund, and 50 percent was posted to the Food/Beverage Tax fund, for a total of \$4,683 being posted incorrectly to the Motor Vehicle Highway fund. For the remainder of the year, 25 percent was posted to the Motor Vehicle Highway fund, and 75 percent was posted to the Food/Beverage Tax fund, for a total of \$20,430 being posted incorrectly to the Motor Vehicle Highway fund. The Motor Vehicle Highway fund was overstated by \$25,113.

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

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

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)

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](#)."

OVERDRAWN CASH BALANCES

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

Condition and Context

The following funds were overdrawn at December 31, 2020:

Fund	Amount Overdrawn
IPEP/Safety Grant	\$ 3,313
Public Safety	165,281
Park Special Donation	10,396
K9 Donations	429
S Market Proj (Fed Share)	318,237
Community Crossings	7,839
Payroll Federal	18,565
Payroll Medicare W/H	326
Payroll PERF W/H	45,132
Pay - AFLAC	3,883

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

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)

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](#)."

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.

At December 31, 2020, the detail customer deposit balance was \$243,414 and the control balance was \$313,987.

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)

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. . . ."

ELECTRIC FUEL ADJUSTMENT FEES

Condition and Context

For nine months of the audit period, 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 \$189,578.

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)

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

ORDINANCES AND RESOLUTIONS

A similar 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 penalties for late payments were not applied to. Exemption from penalty charges for not-for-profit or governmental customers was not provided for in the ordinance.

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)

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)

FUND SOURCES AND USES

Condition and Context

The fire truck loan payment of \$33,550 was paid from the Water Operating fund instead of 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)

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

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

The Town did not adhere to the uniform chart of accounts when creating the Motor Vehicle Highway (MVH) Restricted fund. Instead, the Town utilized a fund number (Fund 208) that was specified as Levy Excess Fund when the fund was established. The MVH/Restricted fund should have been fund number 203, but the Town had already used this fund number for CEDIT(Countyedinctax) fund.

The 50 percent portion of the distributions from the State Motor Vehicle Highway Account were posted to the CEDIT(Countyedinctax) fund instead of the MVH/Restricted fund as required.

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)

ACCOUNTING FOR THE IFA ADMINISTERED CRF MONEY

Condition and Context

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

The Town did not properly establish a separate CARES grant fund for the CRF grant that followed the uniform chart of accounts. The Town established fund 264, entitled, 264 CARES Act Provider Relief Fund (COVID) for reimbursements received from the Indiana Finance Authority (IFA). However, fund number 264 and the CARES Provider Relief Fund name were reserved for a different specified CARES purpose.

The reimbursement for public health and safety payroll costs was receipted into the CARES fund in November 2020. The reimbursement amount should have then been moved by claim to the General Fund, as outlined in the Town's resolution, leaving a zero balance in the CARES grant fund; however, the transfer from the grant fund to the General Fund was not completed.

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

The Town had a year-end balance of \$81,077 in the CARES fund. This was subsequently corrected by claiming the amount to the General Fund in June 2021.

Criteria

Each local unit of government that receives an allocation from the Coronavirus Relief Fund administered by IFA shall establish a separate CARES grant fund with a fund number consistent with memorandum *Accounting and Appropriation of COVID-19 Grants, April 29, 2020* (updated September 29, 2020).

All Reimbursements received from IFA shall be receipted into a separate CARES grant fund that is specific to IFA reimbursements.

Reimbursed Public Health and Safety Payroll Costs

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

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)**

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

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)

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 . . ."

TOWN COUNCIL
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.