

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

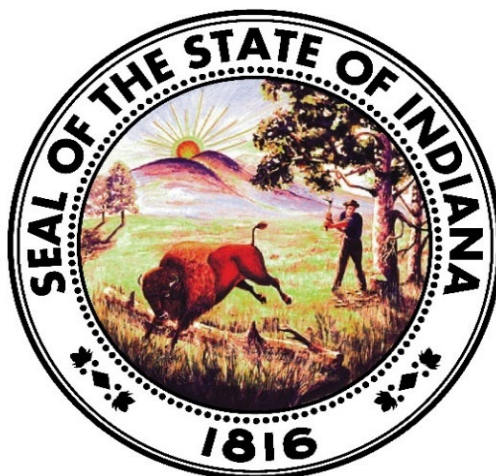
SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ARCADIA

HAMILTON COUNTY, INDIANA

January 1, 2020 to December 31, 2021



**FILED**

10/05/2022



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jennifer Pickett	01-01-20 to 12-31-22
President of the Town Council	Mitch Russell	01-01-20 to 12-31-20
	Rich Versprille	01-01-21 to 12-31-22



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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TO: THE OFFICIALS OF THE TOWN OF ARCADIA, HAMILTON COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Arcadia (Town), for the period from January 1, 2020 to December 31, 2021. 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/](http://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

September 20, 2022

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CLERK-TREASURER  
TOWN OF ARCADIA

CLERK-TREASURER  
TOWN OF ARCADIA  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

A similar comment appeared in prior Reports B48889 and B55102.

*Condition and Context*

There were deficiencies in the internal control system of the Town related to cash and investments, payroll disbursements, and financial transactions and reporting.

*Cash and Investments*

The Town had designed but not properly implemented a system of internal control over cash and investment balances. Two bank accounts that were held by the Town were not included in the bank reconciliation process or presented properly in the financial records or in the Annual Financial Report (AFR).

*Payroll Disbursements*

The Town had designed but not properly implemented a system of internal control over payroll disbursements. The internal control did not detect that some employees were not paid from the proper fund.

*Financial Transactions and Reporting*

The Town had designed but not properly implemented a system of internal control over financial transactions and reporting. The internal control did not detect material misstatements in the AFR that was submitted on the Indiana Gateway for Government Units financial reporting system, which is the source of the financial statement. The 2014 SRF Fund and the Wastewater Utility-SRF fund were reported incorrectly as detailed in the Annual Financial Report audit result and comment.

*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 ARCADIA  
AUDIT RESULTS AND COMMENTS  
(Continued)

**COMPENSATION AND BENEFITS**

*Condition and Context*

The Town paid employees for personal cell phone usage. This benefit was not included in the salary ordinance or resolution. During 2020 and 2021, the Town paid \$2,400 and \$2,320 to employees for cell phone usage, respectively.

*Criteria*

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**FUND SOURCES AND USES**

*Condition and Context*

The Town did not always pay employees from the proper fund in accordance with the salary ordinance. The salary ordinance did not specify from which fund the 2<sup>nd</sup> Wastewater Plant employee was to be paid. The employee was paid from both Water and Wastewater funds in 2020 and 2021. The Clerk-Treasurer was not paid the correct portions from the Town, Water, or Wastewater as specified in the salary ordinance in 2021. Lastly, according to the salary ordinance, the Officer Laborer was to be paid 1/3 from Town, Water, and Wastewater, respectively; however, the employee was paid 50/50 from Water and Wastewater during 2020 and 2021.

*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)

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)

**BANK ACCOUNT RECONCILIATIONS**

The same comment also appeared in prior Report B55102.

*Condition and Context*

The Town did not reconcile all the bank accounts held by the Town. Two bank accounts at the Bank of New York totaling \$156,109 and \$185,501 at December 31, 2020 and 2021, respectively, were not included on the bank reconciliation.

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

*Criteria*

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

**ANNUAL FINANCIAL REPORT**

A similar comment also appeared in prior Reports B48889 and B55102, entitled *TRANSACTION RECORDING*.

*Condition and Context*

The 2014 SRF Fund transactions were not accurately reported in the Annual Financial Report (AFR), the financial statement, or in the Town's financial records for the audit period. In 2020, the Town understated the beginning cash and investments balance by \$83,535, receipts and disbursements were overstated by \$4,604 and \$7,058, respectively, and the ending cash and investments balance was understated by \$85,989. In 2021, the beginning cash and investments balance was understated by \$85,989, receipts were understated by \$8, disbursements were overstated by \$1,681, and the ending cash and investments balance was understated by \$87,678. Adjustments were proposed, accepted by the Town, and made to the financial statement presented in the Financial Statement Audit Report.

The Wastewater Utility-SRF fund transactions were not accurately reported in the AFR, the financial statement, or in the Town's financial records for the audit period. In 2020, the Town understated the beginning cash and investments balance by \$59,166, understated receipts and disbursements by \$156,522 and \$138,797, respectively, and understated the ending cash and investments balance by \$76,891. In 2021, the Town understated the beginning cash and investments balance by \$76,891, understated receipts and disbursements by \$27,669 and \$6,735, respectively, and understated the ending cash and investments balance by \$97,825. Adjustments were proposed, accepted by the Town, and made to the financial statement presented in the Financial Statement Audit Report.

*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](#)."

**SUPPLEMENTAL SCHEDULES IN ANNUAL FINANCIAL REPORT**

*Condition and Context*

The Supplemental Schedules in the Annual Financial Report (AFR), as reported on the Indiana Gateway for Government Units (Gateway) financial reporting system, contained material errors.

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

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (combining schedule) contained material errors in the 2014 SRF fund and the Wastewater Utility - SRF fund for transactions not properly reported in the AFR as noted in the AFR audit result and comment. Adjustments were proposed, accepted by the Town, and made to the combining schedule presented in the Financial Statement Audit Report.

The Schedule of Leases and Debt also contained errors. The Wastewater Revenue Bond ending principal balance was overstated by \$108,000 and the principal and interest due within one year was understated by \$7,078. The Water Revenue Bond principal balance was overstated by \$111,000 and the principal and interest due within one year was understated by \$499. Adjustments were proposed, accepted by the Town, and made to the Schedule of Leases and Debt presented in the Financial Statement Audit Report.

The Town reported an amount in the Schedule of Capital Assets (schedule) in Gateway that was materially inconsistent with the amount on its capital asset listing. The Town presented the schedule with costs less depreciation instead of historical costs. The schedule was not included in the Financial Statement Audit Report.

*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](#)."

**CARES ACT FUND**

*Condition and Context*

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

The Town established a separate COVID Grant Fund for the CRF grant that followed the uniform chart of accounts. The Town receipted grant funds from the Housing and Urban Development into the established CRF fund. Reimbursements received from the Indiana Finance Authority (IFA) for CRF were receipted into the General Fund.

*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. . . .**

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

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. . . .

Transactions for other permitted costs reimbursed by IFA must be accounted for through one of the following prescribed frameworks.

**Framework One.** Reimbursements received from IFA shall be receipted into the separate CARES grant fund. Reimbursed disbursements originally incurred in another fund will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the fund cash balance and re-appropriate the 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 original 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 these steps are completed, the balance of the separate CARES grant fund will be zero. No money shall remain in the separate CARES grant fund. . . .

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

**Framework Two.** If IFA has provided reimbursement based on unpaid invoices or purchase orders, then reimbursements received from IFA shall be receipted into the separate CARES grant fund. The expenditures to vendors will be made through the CARES grant fund and these expenditures must match the application made to IFA. If the actual invoice or invoices relating to a purchase order is less than the purchase order, then the difference in the money expended to the vendor and the amount received for the purchase order from IFA must be returned to IFA. The items on the invoice must match the items on the purchase order. All documentation must be maintained.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. No money shall remain in the separate CARES grant fund. . . .

(State Examiner Directive 2020-3)

CLERK-TREASURER  
TOWN OF ARCADIA  
EXIT CONFERENCE

The contents of this report were discussed on September 20, 2022, with Jennifer Pickett, Clerk-Treasurer, and Rich Versprille, President of the Town Council.