

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF RUSSIAVILLE

HOWARD COUNTY, INDIANA

January 1, 2020 to December 31, 2021



FILED
10/18/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Megan Reel	01-01-20 to 12-31-22
President of the Town Council	Jeffrey Lipinski	01-01-20 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF RUSSIAVILLE, HOWARD COUNTY, INDIANA

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

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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

October 3, 2022

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CLERK-TREASURER
TOWN OF RUSSIAVILLE

CLERK-TREASURER
TOWN OF RUSSIAVILLE
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

A similar comment appeared in prior Report B55018, entitled *INTERNAL CONTROLS*.

Condition and Context

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

Disbursements (Vendor)

The Town had designed a system of internal control over vendor disbursements; however, the internal control did not ensure that disbursements were posted to the proper fund. The Town Council reviewed the Accounts Payable Voucher (APV) register summary prepared by the Clerk-Treasurer, but the APV register did not indicate from which fund the disbursements were paid.

Disbursements (Payroll)

The Town had designed a system of internal control over payroll disbursements; however, the internal control did not ensure payroll disbursements were properly paid and recorded. The Clerk-Treasurer prepared and submitted the payroll claims to the Town Council for approval. The Town Council reviewed gross and net wages without supporting detail of employees paid or if paid from the proper fund. In addition, timesheets were maintained and filled out by hourly employees without a review or approval process.

CLERK-TREASURER
TOWN OF RUSSIAVILLE
AUDIT RESULT AND COMMENT
(Continued)

Financial Transactions and Reporting

The Town had not properly designed or implemented a system of internal control over financial transactions and reporting. One employee submitted the Annual Financial Report (AFR) to the Indiana Gateway for Government Units financial reporting system, which is the source of the AFR and financial statement, without a 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 RUSSIAVILLE
EXIT CONFERENCE

The contents of this report were discussed on October 3, 2022, with Megan Reel, Clerk-Treasurer; Myrna Claar, Town Council member; and Don Parvin, Vice President of the Town Council.