

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF ROCHESTER

FULTON COUNTY, INDIANA

January 1, 2020 to December 31, 2021



**FILED**  
10/21/2022



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Shoda D. Beehler	01-01-20 to 12-31-22
Mayor	Theodore Denton	01-01-20 to 12-31-22
President of the Board of Public Works and Safety	John Little Richard Figlio	01-01-20 to 12-31-20 01-01-21 to 12-31-22
President Pro Tempore of the Common Council	Brian Goodman	01-01-20 to 12-31-22



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF ROCHESTER, FULTON COUNTY, INDIANA

This report is supplemental to our audit report of the City of Rochester (City), 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 City. It should be read in conjunction with our Financial Statement Audit Report of the City, which provides our opinions on the City'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

October 5, 2022

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CLERK-TREASURER  
CITY OF ROCHESTER

CLERK-TREASURER  
CITY OF ROCHESTER  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

A similar comment related to financial transactions and reporting appeared in prior Report B51994, entitled *INTERNAL CONTROLS*; and in prior Report B56429, entitled *INTERNAL CONTROLS - FINANCIAL TRANSACTIONS AND REPORTING*.

*Condition and Context*

There were deficiencies in the internal control system of the City related to journal entries, non-utility receipts, and financial transactions and reporting. The City had not established a system of internal control or separated incompatible processes related to journal entries, non-utility receipts, and financial close and reporting.

*Journal Entries*

The City did not have an effective system of internal control to ensure that journal entries were recorded accurately. One employee and the Clerk-Treasurer recorded all the journal entries; however, there was no review process to ensure journal entries were recorded accurately.

*Receipts (non-utility)*

Internal controls had not been properly designed or implemented over non-utility receipts to ensure they were properly recorded. One employee was responsible for recording non-utility receipts to the ledger without an oversight or review process.

*Financial Close and Reporting*

The City failed to properly review the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Annual Financial Report and the financial statement. Although one employee prepared and entered the financial information into Gateway, and another employee reviewed and approved the information entered, the internal control was not effective and did not detect errors prior to submission.

Due to the lack of effective internal controls the financial statement included the following errors:

The Sewage SRF Bond fund receipts, disbursements and ending cash and investments balance were overstated by \$2,067,822, \$452,130, and \$1,615,692, respectively, for 2021.

Audit adjustments were proposed, accepted by the City, and made to the financial statement presented in the Financial Statement Audit Report.

*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:

CLERK-TREASURER  
CITY OF ROCHESTER  
AUDIT RESULTS AND COMMENTS  
(Continued)

"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. . . ."

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](#)."

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)

## **CAPITAL ASSETS**

A similar comment appeared in prior Report B56429, entitled *CAPITAL ASSETS*.

### *Condition and Context*

The City had adopted a capital asset policy prior to the audit period; however, the City had not completed a physical inventory on a yearly basis as stated in Resolution 17-2002, "A Resolution Establishing a Fixed Capitalization Policy" adopted by the City. In addition, the City did not have a detailed listing of all capital assets which included their acquisition value.

The Capital Asset Schedule in the Annual Financial Report, as reported on the Indiana Gateway for Government Units financial reporting system, was not accurate or complete; therefore, the Schedule of Capital Assets was not presented in the Financial Statement Audit Report.

### *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  
CITY OF ROCHESTER  
AUDIT RESULTS AND COMMENTS  
(Continued)

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

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**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 financial reporting system, contained material errors.

The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Combining Schedules) contained material errors for transactions not properly reported in the AFR as noted in the *Internal Controls* Audit Result and Comment noted above.

Adjustments were proposed, accepted by the City, and made to the Combining Schedules 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](#)."

CLERK-TREASURER  
CITY OF ROCHESTER  
EXIT CONFERENCE

The contents of this report were discussed on October 5, 2022, with Shoda D. Beehler, Clerk-Treasurer; Theodore Denton, Mayor; Brian Goodman, President Pro Tempore of the Common Council; John Little, Board of Public Works and Safety member; Ruth Gunter, Common Council member; and Marty Smith, Common Council member.