

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF DARLINGTON

MONTGOMERY COUNTY, INDIANA

January 1, 2018 to December 31, 2021



FILED
12/22/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Michelle R. Cash	01-01-18 to 12-31-22
President of the Town Council	Kim Carpenter Nicole Parker	01-01-18 to 12-31-21 01-01-22 to 12-31-22
Superintendent of Electric Utility	Greg Gaylor Brian Mullen	01-01-18 to 04-26-19 04-27-19 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF DARLINGTON, MONTGOMERY COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Darlington (Town), for the period from January 1, 2018 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 Statements Audit Report of the Town, which provides our opinions on the Town's financial statements. 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

December 8, 2022

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CLERK-TREASURER
TOWN OF DARLINGTON

CLERK-TREASURER
TOWN OF DARLINGTON
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

A similar comment also appeared in prior Report B50496, entitled *INTERNAL CONTROLS*.

Condition and Context

There were deficiencies in the internal control system of the Town related to receipts.

The Town had not designed a system of internal controls over Town receipts to ensure receipts were properly recorded. Cash or checks received by the Town were recorded and deposited by the Clerk-Treasurer without a review or approval process.

The Town had not designed a system of internal controls over utility receipts to ensure receipts were properly recorded. At month end, the Clerk-Treasurer recorded monthly collections received by on-line credit cards to the Electric Utl Operating fund. A disbursement was recorded out of the Electric Utl Operating fund for the amount of the payments collected for the other utilities. A receipt was recorded to the various other utility funds (i.e., wastewater, stormwater, trash, and meter deposits) and the Clerk-Treasurer transferred those collections to the various funds by bank transfer. There was no review or approval process to ensure the amounts are properly recorded and transferred to the proper funds.

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 DARLINGTON
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSETS

Condition and Context

The Town failed to maintain an accurate capital asset record. A Capital Assets Record was provided from the software system. The record reported \$2,456,299 in total capital assets; however, the detailed listing totaled \$503,578, for a difference of \$1,952,721. Additional documentation to support the capital asset amounts was not provided.

In addition, the Town installed a concrete ramp at the Community Center in 2019 and purchased a digger truck in 2020; however, the items were not added to the detailed capital assets listing.

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)

ANNUAL FINANCIAL REPORT

Condition and Context

The Schedule of Capital Assets supplemental schedule in the Annual Financial Report (AFR), as reported on the Indiana Gateway for Government Units financial reporting system, contained material errors for the year ended December 31, 2021.

The amounts reported in the AFR did not agree to the total of the report printed from the software system or to the detailed listing. Because of these errors, the Town has opted not to include the Schedule of Capital Assets in the Financial Statements 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
TOWN OF DARLINGTON
EXIT CONFERENCE

The contents of this report were discussed on December 8, 2022, with Michelle R. Cash, Clerk-Treasurer, and Nicole Parker, President of the Town Council.