

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF OXFORD

BENTON COUNTY, INDIANA

January 1, 2020 to December 31, 2022



FILED
08/31/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Christie Hale	01-01-20 to 12-31-23
President of the Town Council	Russell Hoaks	01-01-20 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE TOWN OF OXFORD, BENTON COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Oxford (Town), for the period from January 1, 2020 to December 31, 2022. 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 the 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

August 16, 2023

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CLERK-TREASURER
TOWN OF OXFORD

CLERK-TREASURER
TOWN OF OXFORD
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

A similar comment appeared in prior Report B55887.

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not designed or implemented a system of effective internal controls related to financial close and reporting, cash and investments, and receipts.

Financial Close and Reporting

The Town had not established effective internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Annual Financial Report (AFR) and the financial statements. The Clerk-Treasurer prepared and submitted the AFR in Gateway without a review or approval process.

Cash and Investments

The Town had not established an effective system of internal controls over cash and investments. One employee was to prepare the bank reconciliations and the Clerk-Treasurer was to approve them; however, bank reconciliations from January 2022 to December 2022 were not performed until July 2023. In June 2023, the Town hired a consulting firm to help in reconciling the accounting records balances to the bank depository balances. There was no evidence of a review or approval process.

Receipts

The Town received money through the Automated Clearing House (ACH) that is automatically deposited into the Town's bank accounts. Receipts are recorded in the ledgers, but there is no evidence that an oversight or review was in place to ensure the accuracy of the information entered in the Town's ledgers.

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. . . .

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

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. . . ."

BANK ACCOUNT RECONCILIATIONS

Condition and Context

The Town did not reconcile its bank accounts timely. Bank reconciliations from January 2022 to December 2022 were not performed until July 2023.

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."

TIMELY RECORDING AND PAYMENTS

Condition and Context

The following discrepancies related to timely recording and payments were noted:

1. The Town paid bond payments on March 1, 2022, and September 1, 2022, but did not record the payments of \$6,561 and \$106,126, respectively, until July 2023. These entries were then incorrectly backdated to 2022.
2. The Town received a bill from the Fire Department in November 2022, but this bill was not paid until April 2023. The December 2022 bill was not paid until July 2023.
3. The Town has a credit line with a hardware store and had several invoices from December 2022 that were not paid until May 2023.

Criteria

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

A unit may not incur indebtedness unless specifically allowed by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 51-15-1-1.

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

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

SUPPORTING DOCUMENTATION

Condition and Context

Per the Town Council minutes, the Town Council passed the 2020 Salary Ordinance on December 23, 2019, but the Town was unable to provide the Salary Ordinance during the audit.

Criteria

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation 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 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

Other information was required to be entered annually into the Annual Financial Report via the Indiana Gateway for Government Units (Gateway) financial reporting system. The other information entered by the Town into Gateway had numerous errors.

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

Accounts Payable and Receivable

Accounts payable and receivable information was omitted from Gateway for 2020, 2021, and 2022. The following information should have been reported for 2022:

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 45,611	\$ 7,163
Oxford Wastewater Utility	8,704	37,202
Oxford Water Utility	166,529	18,510

Adjustments were purposed, accepted by the Town, and made to the Schedule of Payables and Receivables presented as Other Information in the Financial Statement Audit Report.

Debt Information

Much of the debt information for 2020, 2021, and 2022 entered into Gateway were the same numbers as reported in Gateway for 2019. In addition, debt information entered for 2022 included Water Revenue Bonds with a principal balance of \$250,000 and payments of \$250,000 that had been paid off in 2021, and a Sewage Works Bond Anticipation Note for \$3,308,878 that was paid off in 2019. The schedule also omitted the Sewage Works Revenue Bond 2019 Series A and B with a principal balance \$5,827,000 and principal payments due within one year of \$110,000.

Adjustments were proposed, accepted by the Town, and made to the Schedule of Leases and Debt presented as Other Information 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](#)."

BOARD MINUTES MISSING

Condition and Context

Formal minutes of the meetings of the Town Council were not prepared after September 2021 through the end of the audit period and into the current period. The Clerk-Treasurer transcribed abbreviated handwritten notations that summarized the Town Council activities and provided packets of information presented at the meetings; however, the Town Council's precise actions and approvals could not be ascertained in many instances due to the lack of detail in the handwritten notations. There was no audit evidence of the meetings' minutes notes being approved at subsequent meetings.

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

Beginning with the May 5, 2023 Town Council meeting, the Town Council designated an individual to prepare the minutes for the Town Council. The actions of the Town Council are more clearly ascertained in these minutes but there is still no audit evidence of the minutes being approved at subsequent meetings.

Criteria

Indiana Code 5-14-1.5-4 states in part:

". . . (b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under section 3.5 of 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication.

(c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

Indiana Code 36-5-6-6(b) states in part:

"The clerk-treasurer shall do the following: . . .

- (9) Serve as clerk of the legislative body by attending its meetings and recording its proceedings. . . ."

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The State Examiner Directive 2018-1 (Directive) required monthly and annual uploads of government unit and financial information on the Indiana Gateway for Government Units financial reporting system, beginning with July 2018 files.

The Town's files and governmental unit information that is required to be upload monthly include the monthly bank statements and reconciliation, approved Town Council minutes, and funds ledger. The annual upload requirements include the year-end bank statement, year-end outstanding check list, year-end investments, detail of receipt activity, detail of disbursement activity, current year salary ordinance, an annual vendor history report, an annual funds ledger, and an annual payroll history report without social security numbers.

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

The Town did not comply with the Directive and failed to upload the January to December 2022 monthly uploads and five months of Town Council Board minutes in 2021. The Town did not upload the annual year end reports for 2020, 2021, or 2022.

Criteria

Beginning with July 2018 files, which will be due September 15, 2018, **all** cities, towns, townships, libraries, and special districts will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. (State Examiner Directive 2018-1)

The amended directive is effective starting with December 2020 monthly files. The upload of December 2020 monthly files will be due February 15, 2021, and by the 15th of each month thereafter unless the State Board of Accounts (SBOA) establishes a different date. This is effective for 2020 annual files which will be due for upload March 1, 2021, for calendar year end units. . . . Thereafter, annual files must be uploaded no later than march 1st . . . for the prior year end unless the SBOA establishes a different date.

All counties, cities, towns, townships, libraries, schools, and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients.

A user guide for the Engagement Uploads is available and located at: <https://gateway.ifionline.org/userguides/engagementguide>. **It is pertinent that this user guide be used in conjunction with this Directive.** It provides critical information to you that will help guide you to uploading the correct documents.

(Amended State Examiner Directive 2018-1)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF OXFORD
EXIT CONFERENCE

The contents of this report were discussed on August 16, 2023, with Christie Hale, Clerk-Treasurer; Russell Hoaks, President of the Town Council; Terry Zink, Town Council member; Tina Coffman, Town Council member; Larry Barnard, Town Council member; James Deckard, Town Council member; and Clifford Robinson, Town Attorney.

TOWN COUNCIL
TOWN OF OXFORD

TOWN COUNCIL
TOWN OF OXFORD
AUDIT RESULT AND COMMENT

BOARD MINUTES MISSING

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TOWN OF OXFORD
EXIT CONFERENCE

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