

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ADVANCE

BOONE COUNTY, INDIANA

January 1, 2021 to December 31, 2022



FILED
11/20/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Shari Johnson	01-01-21 to 12-31-23
President of the Town Council	Melody Fry	01-01-21 to 12-31-22
	James L. Caldwell	01-01-23 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 ADVANCE, BOONE COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Advance (Town), for the period from January 1, 2021 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 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 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.

A handwritten signature in blue ink that reads "Beth Kelley".

Beth Kelley, CPA, CFE
Deputy State Examiner

November 6, 2023

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CLERK-TREASURER
TOWN OF ADVANCE

CLERK-TREASURER
TOWN OF ADVANCE
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

Financial, supplemental, and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The Town had not established effective internal controls over the AFR information entered into Gateway, which resulted in the following errors:

Financial Data:

1. Due to the State Revolving Fund loan activity not being reported in the financial records, the following errors occurred:
 - The beginning cash and investments balances for January 1, 2021, and January 1, 2022, were understated by \$8,647 and \$13,739, respectively.
 - The receipts for 2021 and 2022 were understated by \$715,342 and \$143,641, respectively.
 - The disbursements for 2021 and 2022 were understated by \$710,250 and \$139,859, respectively.
 - The ending cash and investments balances for December 31, 2021, and December 31, 2022, were understated by \$13,739 and \$17,521, respectively.
2. The receipts and ending cash and investments balance for 2021, and the beginning cash and investments balance and ending cash and investments balance for 2022 for the Old Electric Cash Reserve fund were overstated by \$14,000.

Adjustments were proposed, accepted by the Town, and made to the financial statement presented in the Financial Statement Audit Report of the Town and to the Combining Schedules of Receipts, Disbursements, and Cash and Investments Balances - Regulatory Basis reported as Required Supplementary Information in the Financial Statement Audit Report of the Town.

Schedule of Expenditures of Federal Awards (SEFA)

1. The total amounts of federal awards reported as passed through to subrecipients was overstated by \$527,806 in 2021.
2. The total expenditures of federal awards reported in 2021 was overstated by \$6,076,568.
3. The Highway Planning and Construction grant, ALN #20.205, was left off the SEFA.

Adjustments were proposed, accepted by the Town, and made to the entries reported in Gateway. The audit period expenditures did not meet the guidelines of a Single Audit; therefore, the SEFA is not presented.

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

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](#)."

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal control system of the Town related to cash and investments, financial close and reporting, and receipts. The Town had properly designed internal controls related to cash and investments, financial close and reporting, and receipts; however, the internal controls were not effective and allowed material misstatements to go undetected.

Cash and Investments

One individual was responsible for completing the bank reconciliations and another individual was responsible for the review and approval. However, the internal control was not effective as the Town did not perform bank reconciliations over the State Revolving Fund bank accounts.

Financial Close and Reporting

One individual was responsible for compiling the Annual Financial Report (AFR) and another individual was responsible for the review and approval. However, the internal control was not effective and allowed material misstatements to go undetected due to the Town not including the activity related to the State Revolving Fund project in the AFR.

Receipts

One individual was responsible for receiving cash payments for utilities, and another individual was responsible for verifying the deposit slip before the cash was deposited into the Town bank account. The internal control was determined to not be consistently in place throughout the audit period and could have allowed a material error to go undetected.

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
TOWN OF ADVANCE
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. . . ."

BANK ACCOUNT RECONCILIATIONS

Condition and Context

The Town failed to complete bank reconciliations for the State Revolving Fund loan accounts on a monthly basis for each month of the audit period

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."

CLERK-TREASURER
TOWN OF ADVANCE
EXIT CONFERENCE

The contents of this report were discussed on November 6, 2023, with Shari Johnson, Clerk-Treasurer; James L. Caldwell, President of the Town Council; and Amanda Lyles, Town Council member.