

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF JAMESTOWN

BOONE COUNTY, INDIANA

January 1, 2021 to December 31, 2022



FILED
12/21/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Lori Hieston	01-01-21 to 12-31-23
President of the Town Council	David Phelps	01-01-21 to 09-07-21
	Chassity Hawkins	09-08-21 to 12-31-21
	Carol Leeke	01-01-22 to 12-31-22
	Shane Childress	01-01-23 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF JAMESTOWN, BOONE COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Jamestown (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.

Beth Kelley, CPA, CFE
Deputy State Examiner

November 30, 2023

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CLERK-TREASURER
TOWN OF JAMESTOWN

CLERK-TREASURER
TOWN OF JAMESTOWN
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

A similar comment also appeared in prior Reports B56009 and B58148, entitled *INTERNAL CONTROLS*.

Condition and Context

There were deficiencies in the internal control system of the Town related to financial close and reporting, cash and investments, 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 remain undetected.

Financial Close and Reporting

One individual was responsible for compiling the Annual Financial Report, and another individual was responsible for the review and approval; however, the internal control was not effective and allowed material misstatements to remain undetected.

Cash and Investments

One individual was responsible for completing the bank reconciliations and another individual was responsible for the review and approval. The internal control was not effective as the Town did not perform bank reconciliations over the State Revolving Loan Fund accounts, the Certificate of Deposits accounts, the Documoney accounts, and the second checking account for the Town.

Utility Billings

The Town had not properly designed internal controls to ensure the proper utility rates per the Town's utility ordinances were entered into the utility billing system. The lack of internal controls allowed incorrect amounts to be charged to utility customers.

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 JAMESTOWN
AUDIT RESULTS AND COMMENTS
(Continued)

ANNUAL FINANCIAL REPORT

A similar comment also appeared in prior Report B58148, entitled *FINANCIAL TRANSACTIONS AND REPORTING*.

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. The Police Reserves account activity was not reported in the financial records. For 2021, the beginning cash and investments balance, receipts, disbursements, and ending cash and investments balance were understated by \$3,406, \$1,067, \$1,662, and \$2,811, respectively. For 2022, the beginning cash and investments balance, receipts, disbursements, and ending cash and investments balance were understated by \$2,811, \$650, \$1,211, and \$2,250, respectively.
2. The CASH TOWN ELECTRIC fund 2021 beginning cash and investments balance and ending cash and investments balance were overstated and the receipts understated by \$441,803, \$336,976, and \$104,827, respectively. For 2022, the beginning cash and investments balance and ending cash and investments balance were each overstated by \$336,976.
3. The ELECTRIC INVESTMENTS - RESERVE fund 2021 beginning cash and investments balance, receipts, disbursements, and ending cash and investments balance were understated by \$104,120, \$29, \$26,207, and \$77,942, respectively. For 2022, the beginning cash and investments balance and ending cash and investments balance were understated by \$77,942.
4. The ELECTRIC INVESTMENTS - DEPR fund 2021 beginning cash and investments balance, receipts, disbursements, and ending cash and investments balance were understated by \$329,860, \$2,794, \$78,620, and \$254,034, respectively. The Town properly entered the information for 2022.
5. The SEWAGE CASH B&I fund 2021 receipts, disbursements, and ending cash and investments balance were understated by \$85,368, \$84,250, and \$1,118, respectively. The Town properly entered the information for 2022.
6. The TIF INVESTMENT TRANSFER ACCOUNT fund 2022 receipts and disbursements were each overstated by \$676,937.
7. The Electric INVESTMENT TRANSFER ACCOUNT fund is used to record bank transfers and should not be reported. In 2022, the receipts and disbursements were each overstated by \$90,000.

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

8. The Sewer INVESTMENT TRANSFER ACCOUNT fund is used to record bank transfers and should not be reported. In 2022, the receipts and disbursements were each overstated by \$50,000.
9. In 2021, three other individually immaterial funds had net beginning cash and investments balance, receipts, and ending cash and investments balance understated and disbursements overstated by \$6,255, \$574, \$8,656, and \$1,827, respectively. The Town properly entered the beginning balance information for one of these funds for 2022.
10. In 2022, six other individually immaterial funds had net beginning cash and investments balance, receipts, and ending cash and investments balance understated by \$7,382, \$2,213, and \$9,595, respectively.

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

Federal Grants

1. The Community Development Block Grant expenditures were omitted causing an understatement of \$304,776.
2. The Coronavirus State and Local Fiscal Recovery Fund expenditures were omitted causing an understatement of \$105,097.

Adjustments were proposed, accepted by the Town, and made to the entries reported in Gateway. Since the Town did not expend the requisite amount of federal dollars during any year of the audit period, a Schedule of Expenditures of Federal Awards was not required to be reported.

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 JAMESTOWN
AUDIT RESULTS AND COMMENTS
(Continued)

ORDINANCES AND RESOLUTIONS

Condition and Context

The unit did not properly follow the water rate ordinance. There were 3 out of 25 customers tested that were incorrectly charged for their water usage. The water rates were changed in July 2022, and the approved rates were incorrectly entered into the billing system. Due to this error, any customers with usage over 2,000 gallons of water were incorrectly charged.

When the new billing software was implemented in May 2018, the Town did not properly enter separate water billing rates for customers with a pipe size other than the 5/8" or 3/4" into the software program. Due to this error, all customers with the larger pipe sizes who utilized more than the minimum gallon usage were incorrectly charged.

Criteria

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF JAMESTOWN
EXIT CONFERENCE

The contents of this report were discussed on November 30, 2023, with Lori Hieston, Clerk-Treasurer; Shane Childress, President of the Town Council; and Carol Leeke, Town Council member.