

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MOORES HILL

DEARBORN COUNTY, INDIANA

January 1, 2018 to December 31, 2022



FILED

12/28/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Andrea Hornberger	01-01-18 to 12-31-23
President of the Town Council	Terry Ingersoll	01-01-18 to 12-31-18
	Danielle Russell	01-01-19 to 12-31-19
	Robert Russell	01-01-20 to 12-31-21
	Terry Ingersoll	01-01-22 to 12-31-22
	Robert Russell	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 MOORES HILL, DEARBORN COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Moores Hill (Town), for the period from January 1, 2018 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

December 19, 2023

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CLERK-TREASURER
TOWN OF MOORES HILL

CLERK-TREASURER
TOWN OF MOORES HILL
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in prior Report B51010, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to financial close and reporting, cash and investments, receipts, and payroll disbursements.

Financial Close and Reporting

The Town did not have a proper system of internal controls in place over financial close and reporting to prevent, or detect and correct, errors. The Clerk-Treasurer entered the information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Annual Financial Report and the financial statements. There was no evidence of any oversight, review, or approval process of this information by the Town prior to it being submitted to Gateway to ensure its accuracy.

Cash and Investments

The Town did not have a proper system of internal controls in place over cash and investments to prevent, or detect and correct, errors. The Clerk-Treasurer was responsible for preparing the monthly bank reconciliations of the Town's bank accounts, except for the Town's payroll bank account which was performed by an outside consultant. Although monthly reconciliations of the payroll account were performed, no monthly reconciliations of the individual payroll withholding subsidiary accounts were being performed. There were no internal controls in place, such as an oversight, review, or approval process, to ensure that monthly reconciliations of all accounts were properly completed and accurate. Since appropriate withholding transfers and payroll activity were not being posted to the records timely, some subsidiary accounts incurred deficit balances, resulting in the following items being noted:

1. The December 31, 2020 monthly bank reconciliation of the payroll bank account showed a variance of \$3,657 between the ledger balance and the reconciled depository balances.
2. The December 31, 2021 monthly reconciliation of the payroll bank account contained reconciling items totaling \$9,482 that could not be verified.
3. The December 31, 2022 monthly reconciliation of the payroll bank account contained reconciling items totaling \$21,264 that could not be verified.
4. The December 31, 2022 monthly bank reconciliation of the Town's operating bank account showed a variance of \$6,882.

Receipts

The Town did not have a proper system of internal controls in place over receipts to prevent, or detect and correct, errors. The Clerk-Treasurer was responsible for collecting, posting, and depositing the Town's receipts. There was no documentation of an internal control in place, such as an oversight, review, or approval process, to ensure that receipts were properly recorded and deposited.

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

Payroll Disbursements

The Town did not have a proper system of internal controls in place over payroll disbursements to prevent, or detect and correct, errors. The Clerk-Treasurer was responsible for the entire payroll process without an oversight, review, or approval process. There was no payroll claim being used, and, therefore, no documentation to indicate that the Clerk-Treasurer had audited and certified that the amounts being paid were true and correct. Additionally, payroll disbursements were not presented to the Town Council for approval.

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."

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

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 MOORES HILL
AUDIT RESULTS AND COMMENTS
(Continued)

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)

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)

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 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

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 for 2018, 2019, 2020, 2021, and 2022, which resulted in the following errors related to the reporting of other information:

Accounts Payable and Accounts Receivable Information

The Town failed to report accounts payable and accounts receivable for 2018, 2019, 2020, 2021, and 2022. The Town elected not to present the Schedule of Payable and Receivables as Other Information in the Financial Statements Audit Report of the Town.

Capital Asset Information

The Town prepared and submitted capital asset information; however, the Town was unable to provide a detailed listing of capital assets to support the amounts reported for 2018, 2019, 2020, 2021, and 2022. The Town elected not to present the Schedule of Capital Assets as Other Information in the Financial Statements Audit Report of the Town.

Debt Information

The Town failed to report debt information for 2019, 2020, and 2021.

The Town submitted debt information for 2022, but the amount reported was materially incorrect as follows:

1. The amount reported for the ending principal balance and principal and interest due within one year for the Wastewater Utility Revenue Bonds, Series A, was overstated by \$85,000 and \$1,253,866, respectively.
2. The amount reported for the principal and interest due within one year for the Wastewater Utility Revenue Bonds, Series B, was overstated by \$277,558.

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

Adjustments for 2022 were proposed, accepted by the Town, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statements Audit Report of the Town.

Grant Information

The Town received federal grants in 2021 and 2022, but failed to report the grant information as required.

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](#)."

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:

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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. . . ."

APPROPRIATIONS

The same comment appeared in prior Report B51010.

Condition and Context

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

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

Fund	Excess Amount Expended			
	2018	2019	2020	2021
Motor Vehicle Highway	\$ 27,070	\$ 23,131	\$ 995	\$ 301
General	-	25,943	43,349	10,578

Criteria

Indiana Code 36-5-4-2 states in part: "Unless a statute provides otherwise, town monies may be disbursed only after an appropriation made by ordinance of the town legislative body . . ."

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

OVERDRAWN CASH BALANCES

Condition and Context

The financial statements presented for audit included the following funds with overdrawn cash balances:

Fund	Amount Overdrawn at December 31,				
	2018	2019	2020	2021	2022
Motor Vehicle Highway	\$ 33,196	\$ 30,631	\$ 8,964	\$ -	\$ -
Fire Contract	5,010	5,010	5,010	5,010	5,010
Riverboat Checking Fund*	13,844	68,086	64,263	140,000	154,693
LOCAL LAW ENFORCEMENT	-	-	120	120	120
Debit Account/Payment Account	-	-	-	8,093	-

*The Town reports separately both a Riverboat Checking Fund and a RIVERBOAT SAVINGS AND CDS fund. Both funds combined comprise the total Riverboat Checking Fund. The overdrawn cash balance of the Riverboat Checking Fund is a result of bank transfers between the two accounts not being recorded timely.

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

CAPITAL ASSETS

A similar comment appeared in a Management Letter addressed to the Official of the Town for the audit period ending December 31, 2017.

Condition and Context

The Town did not maintain a complete, detailed listing of capital assets owned. In addition, the Town did not complete an annual physical inventory as required by the Town's capital asset policy.

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)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

The Town properly created a separate Motor Vehicle Highway (MVH) - Restricted fund in 2019 as required. However, there were four instances noted in which the Town did not allocate and record at least 50 percent of the distributions from the State Motor Vehicle Highway Account at the time of receipt into the MVH - Restricted fund. Additionally, the Town reported the MVH fund and the MVH - Restricted fund together on the Annual Financial Report for 2019, 2020, 2021, and 2022, instead of separately, as required by State Examiner Directive 2018-2.

Criteria

The purpose of this Directive is to authorize and require . . . cities, and towns that receive distributions from the State Motor Vehicle Highway Account to **create a new sub-fund within the MVH Fund** to properly manage and account for the usage restrictions that were included in House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018.

The sub-fund . . . will be used to account for MVH monies which have been statutorily restricted for construction, reconstruction, and preservation purposes.

On the chart of accounts, the MVH Fund and MVH Restricted sub-fund shall be shows as follows:
...

Cities and Towns

Fund 201	MVH
Fund 203	MVH Restricted

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

Together, MVH and MVH Restricted shall constitute the total MVH Fund. MVH and MVH Restricted will be shown separately on the Annual Financial Report.

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted. . . .

(State Examiner Directive 2018-2)

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 MOORES HILL
EXIT CONFERENCE

The contents of this report were discussed on December 19, 2023, with Andrea Hornberger, Clerk-Treasurer, and Lynn Allen, Town Council member.