

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF YORKTOWN

DELAWARE COUNTY, INDIANA

January 1, 2021 to December 31, 2022



FILED

02/05/2024

*(This report was reissued
on February 16, 2024, to
correct the Leases and
Debt schedule on page 9.)*

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Lance Turner	01-01-21 to 12-31-23
President of the Town Council	Richard E. Lee	01-01-21 to 12-31-21
	Lon Fox	01-01-22 to 12-31-22
	Rick Glaub	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 YORKTOWN, DELAWARE COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Yorktown (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

January 25, 2024

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CLERK-TREASURER
TOWN OF YORKTOWN

CLERK-TREASURER
TOWN OF YORKTOWN
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

A similar comment also appeared in prior Reports B47143, B51111, B54499, and B58168, entitled *BANK ACCOUNT RECONCILIATIONS*.

Condition and Context

The Town's monthly bank reconciliation of its primary bank accounts, designated Bank 0 on the Town's ledger, at December 31, 2022, contained numerous adjusting entries. Among the entries identified were posting errors, unrecorded transactions, and unexplained variances. Net adjustments totaled \$1,205,027 and were dated back as far as January 2022. The adjusted bank balance at December 31, 2022, was \$1,731 long when compared with the ending cash and investment balance reported on the financial statement. Additionally, the Town did not reconcile all of its accounts on a monthly basis, as listed below:

- Old National Wealth Management 2022 General Revenue account
- Huntington National Bank Yorktown 2021 Bond Fund
- Huntington National Bank Town of Yorktown IN EDR Bonds Series 2021A And 2021B Bond Issuance Expense Account
- Huntington National Bank Town of Yorktown IN EDR Bonds Series 2021A And 2021B Construction Account
- Huntington National Bank Yorktown EDRB 2022AB Bond Fund
- Huntington National Bank Town of Yorktown Development Revenue Bonds Series 2022A&B Construction Account
- Huntington National Bank Town of Yorktown Economic Development Revenue Bonds Series 2022A&B Bond Issuance Expense Acct
- Huntington National Bank Town of Yorktown Economic Development Revenue Bonds Series 2022A&B Capitalized Interest Acc

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."

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)

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)

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

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

INTERNAL CONTROLS

A similar comment also appeared in prior Reports B51111, B54499, and B58168, 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:

Cash and Investments

Monthly bank reconciliations were prepared by the Clerk-Treasurer and presented to and approved by the Town Council at the monthly council meetings; however, only two of the Town's bank reconciliations were presented for review and approval, and there was no documented internal control in place over the Town's remaining bank account reconciliations.

Disbursements (Payroll)

The Town did not have a documented internal control in place over the approval of employee time and absences subsequent to the implementation of a new payroll system in May of 2022. The Deputy Clerk-Treasurer was stated to review time cards and reports as part of the payroll process; however, there was no documentation to support that an individual other than the preparer had reviewed the time cards. The Town Council reviewed payroll disbursements as stated on council dockets per monthly Town Council meetings; however, the payroll disbursements approved on the dockets do not detail pay on an individual employee level, and, therefore, was not considered a compensating internal control.

Financial Close and Reporting

The Annual Financial Report (AFR) was prepared by the Clerk-Treasurer and was to be reviewed and approved by the President of the Town Council or the Town Manager; however, no documented review or approval of the 2022 AFR was presented for audit.

Receipts and Disbursements

Receipts and disbursements related to 2021 A/B & 2022 A/B TIF Bond activity/funds (2021 Redev Bonds A and B Bond Fund, 2021 Redev Bonds A and B Construction Account, 2021 Redev Bonds A and B B.I.E Fund, 2022 Redev Bonds A and B Construction, 2022 Redev Bonds A and B B.I.E, and 2022 Redev Bonds A and B Cap Interest funds) were not properly recorded in the Town's financial statement due to the omission of these funds from the statement. Additionally, there was no documented internal control in place over these transactions.

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

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. . . ."

ANNUAL FINANCIAL REPORT

Condition and Context

The Town failed to upload the Annual Financial Report (AFR) for the year ended December 31, 2022, within 60 days after the close of the fiscal year. The report was filed 30 days late.

Financial, supplemental, and other information are required to be entered annually into the 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:

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

Financial Data and Required Supplementary Information

Years	Fund	Beginning			Ending	
		Cash and Investments (Under)/Overstated	Receipts (Under)/Overstated	Disbursements (Under)/Overstated	Cash and Investments (Under)/Overstated	
2021	General Fund	\$ -	\$ 90,784	\$ -	\$ 90,784	
2021	LIT - Public Safety	-	(90,784)	-	(90,784)	
2021	2021 Redev Bonds A and B Bond Fund	-	(300,525)	(117,696)	(182,829)	
2021	2021 Redev Bonds A and B Construction Account	-	(1,956,167)	(1,950,000)	(6,167)	
2021	2021 Redev Bonds A and B B.I.E Fund	-	(547,264)	(547,264)	-	
2022	General Fund	90,784	-	-	90,784	
2022	LIT - Public Safety	(90,784)	-	-	(90,784)	
2022	Community Assistance	-	(13,525)	-	(13,525)	
2022	ARP Coronavirus Local Fiscal Recovery Grant Fund	-	13,525	-	13,525	
2022	2021 Redev Bonds A and B Bond Fund	(182,829)	(300,893)	(265,092)	(218,630)	
2022	2021 Redev Bonds A and B Construction Account	(6,167)	(28)	-	(6,195)	
2022	2022 Redev Bonds A and B Construction	-	(4,076,966)	(1,477,747)	(2,599,219)	
2022	2022 Redev Bonds A and B B.I.E	-	(358,469)	(351,875)	(6,594)	
2022	2022 Redev Bonds A and B Cap Interest	-	(880,328)	-	(880,328)	

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

Capital Assets

The capital asset information entered into Gateway for 2022 was not supported by a detailed capital asset listing.

Leases and Debt

The leases and debt information entered into Gateway contained the following errors:

Year	Fund	Annual Lease Payment (Under)/Overstated	Ending Principal Balance (Under)/Overstated	Principal Due Within One Year (Under)/Overstated
2022	Economic Development Revenue Bonds Series 2022A (Bison Project)	\$ -	\$ (1,500,000)	\$ -
2022	Economic Development Revenue Bonds Series 2022B (Bison Project)	-	(3,800,000)	-
2022	Redev Refunding Bonds of 2015 (Ref 2006 Bonds)	746	-	-
2022	Ad Valorem Property Tax Lease Rental Bonds of 2018	-	-	151,900
2022	Ad Valorem Property Tax Lease Rental Bonds of 2019	-	-	145,650
2022	Economic Development Lease Rental Refunding Bonds Series 2015	-	-	14,747

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

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

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](#)."

MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

Condition and Context

The files and governmental unit information that are required to be uploaded monthly include the bank reconciliations, approved board minutes and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

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, and an annual vendor history report.

The Town did not comply with the State Examiner Directive and failed to upload a portion of the monthly and annual files on the Indiana Gateway for Government Units financial reporting system for 2021 and 2022. Complete monthly bank reconciliations for all depository accounts belonging to the Town were not consistently uploaded during the audit period. In addition, the Town had not timely uploaded the year-end investment statements, details of receipt and disbursement activity, annual funds ledger and annual vendor and payroll history reports for 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)

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 & Towns, Chapter 1)

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

CAPITAL ASSETS

Condition and Context

The Town could not provide a detailed listing of capital assets for audit. No documented evidence was presented that the Town had performed a complete physical inventory at least every two years. The Town had contracted with a firm to complete an inventory of all capital assets; however, this work had not been completed at the time of audit.

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)

APPROVAL OF CLAIMS

Condition and Context

The Town implemented a new payroll system in May of 2022. After implementation, no documentation was provided to show payroll claims and time records were being approved by the appropriate officials or department heads and the fiscal officer.

Criteria

Indiana Code 5-11-10-2(a) states:

"Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."



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OFFICIAL RESPONSE

February 2, 2024

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

Re: Official Response to the Supplemental Compliance Report for the period audited January 1, 2021, to December 31, 2022

Dear Constituents, Bondholders, Investors, and All Interested Individuals,

Several disruptive events altered the operations of the clerk treasurer's office during the period audited, 2021-2022. The following events caused one person to be responsible for completing the tasks typically performed by two staff members: COVID and quarantine protocol, an unsuccessful attempt to have a staff member work at home, a partially staffed office during a State Board of Accounts audit, turnover of the only deputy clerk treasurer, the departure of the payroll clerk before the new payroll system could be fully implemented, and the hiring and training of a new deputy clerk treasurer. In response to these events, it was discovered that the Yorktown Code of Ordinances (Section 31.18) and Indiana Code 36-5-6-7 empowered the clerk treasurer to hire two employees. The clerk treasurer consequently added a second deputy clerk treasurer. Future disruptions to operations would be minimized and segregation of duties would be improved since one deputy was primarily assigned to accounts payable and the other deputy was assigned the role of receipting customer payments and bank deposits. The ability to segregate duties also provided the clerk treasurer the opportunity to reconcile bank accounts without being involved in the daily transactions.

During the disruptive events, the priorities of the assigned duties were to complete accounts payable and payroll in a timely manner. An accounting firm consultant was utilized to assist in completing as many of the other necessary tasks as possible. Unfortunately, there was not enough time to rectify the incidents that were commented on by the time of the audit. Internal controls have already been implemented to approve bank reconciliations, payroll employee time and absences, payroll disbursements, and for reviewing and approving reports.

Sincerely,

Lance Turner
Clerk Treasurer

CLERK-TREASURER
TOWN OF YORKTOWN
EXIT CONFERENCE

The contents of this report were discussed on October 19, 2023, with Lance Turner, Clerk-Treasurer; Rick Glaub, President of the Town Council; Chase Bruton, Town Manager; and Kyleigh Van Pelt, Deputy Clerk-Treasurer.

An additional exit conference was held on January 25, 2024, with Lance Turner, Clerk-Treasurer; Nanci Perry, Town Council member; and Daniel M. MacDonald, Redevelopment Authority Board member.