

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF HAZLETON

GIBSON COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED
09/13/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Marcia D. Hall Marion Thompson	01-01-22 to 11-30-22 12-01-22 to 12-31-23
President of the Town Council	Clarence Cornwell	01-01-22 to 12-31-23
Superintendent of Water Utility	James Brines Randy Kendall	01-01-22 to 09-30-22 10-01-22 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 HAZLETON, GIBSON COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Hazleton (Town), for the period from January 1, 2022 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

August 29, 2023

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CLERK-TREASURER
TOWN OF HAZLETON

CLERK-TREASURER
TOWN OF HAZLETON
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

There were deficiencies in the internal control system, as the Town had not effectively separated incompatible activities related to the financial close and reporting process. The Clerk-Treasurer entered all of the Town's financial information for the Annual Financial Report in the Indiana Gateway for Government Units (Gateway) financial reporting system; however, no one reviewed and approved that the information being uploaded into Gateway was accurate. There was no evidence of an oversight, review, or approval process.

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 - OTHER INFORMATION

Condition and Context

Financial 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:

Payable and Receivables

The Town did not maintain documentation to support payables and receivables. As a result, the Schedule of Payables and Receivables was not presented in the Financial Statement Audit Report as Other Information.

Capital Assets

The Town did not maintain documentation to support capital assets. As a result, the Schedule of Capital Assets was not presented in the Financial Statement Audit Report as Other Information.

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

Federal Grants

1. The Water and Waste Disposal Systems for Rural Communities expenditures were overstated \$2,460,616.
2. The Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii expenditures were overstated \$1,181,818.
3. The COVID-19 - Coronavirus State and Local Fiscal Recovery Funds were omitted from the SEFA, which understated expenditures by \$19,778.

Adjustments were proposed, accepted by the Town, and made to the Schedule of Expenditures of Federal Awards presented in the Federal Compliance Audit Report of the Town.

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:

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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](#)."

CAPITAL ASSETS

Condition and Context

The Town did not maintain a record of capital assets. In addition, the Town had not conducted a physical inventory.

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

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)

MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

Condition and Context

The Town did not upload all of the required monthly or annual engagement uploads to the Indiana Gateway for Government Units financial reporting system for 2022. Monthly ledgers and bank statements were not uploaded and none of the annual documents were uploaded.

Criteria

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)

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)

CLERK-TREASURER
TOWN OF HAZLETON
EXIT CONFERENCE

The contents of this report were discussed on August 29, 2023, with Marion Thompson, Clerk-Treasurer; Michelle Fry, Town Council member; and Marcia D. Hall, former Clerk-Treasurer.

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TOWN COUNCIL
TOWN OF HAZLETON

TOWN COUNCIL
TOWN OF HAZLETON
AUDIT RESULT AND COMMENT

CAPITAL ASSETS

Condition and Context

The Town had not adopted a capital assets 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)

TOWN COUNCIL
TOWN OF HAZLETON
EXIT CONFERENCE

The contents of this report were discussed on August 29, 2023, with Marion Thompson, Clerk-Treasurer; Michelle Fry, Town Council member; and Marcia D. Hall, prior Clerk-Treasurer.