

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF PALMYRA

HARRISON COUNTY, INDIANA

January 1, 2019 to December 31, 2022



FILED

01/05/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Debra L. Jones	01-01-19 to 12-31-23
President of the Town Council	Virginia L. Kirkham Debra Atkins	01-01-19 to 03-14-23 03-15-23 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF PALMYRA, HARRISON COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Palmyra (Town), for the period from January 1, 2019 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.

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

Beth Kelley, CPA, CFE
Deputy State Examiner

December 21, 2023

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CLERK-TREASURER
TOWN OF PALMYRA

CLERK-TREASURER
TOWN OF PALMYRA
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:

Capital Assets

The amounts reported for capital assets did not agree to the detailed capital asset listing maintained by the Town for 2019, 2020, 2021, and 2022. The Town chose to not present the Schedule of Capital Assets in the Financial Statements Audit Report of the Town.

Payables and Receivables

The amounts reported for the schedule of accounts payable and accounts receivable for 2019, 2020, 2021, and 2022 could not be verified. The Town chose to not present the Schedule of Payables and Receivables in the Financial Statements Audit Report of the Town.

Leases and Debt

The amounts reported for debt did not agree to supporting documentation for 2019, 2020, 2021, and 2022. The Town chose to not present the Schedule of Leases and Debt 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](#)."

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.

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

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. . . ."

INTERNAL CONTROLS OVER FINANCIAL CLOSE AND REPORTING

Condition and Context

The Town had not established internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Town's Annual Financial Reports (AFR) and financial statements.

The Town failed to properly review the financial information prepared and submitted in Gateway to ensure all transactions of the Town had been properly recorded and reported. The Clerk-Treasurer prepared and entered the financial information in Gateway; however, there was no documented oversight, review, or approval process in place to ensure financial transactions, the AFRs, and the financial statements were accurate.

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

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND RECEIPTS

Condition and Context

The Town created the Motor Vehicle Highway Restricted fund (MVH - Restricted fund) as required; however, in December 2022, the Town did not allocate or record at least 50 percent of the \$2,952 distribution from the State Motor Vehicle Highway Account at the time of the receipt into the MVH - Restricted fund. The error has since been corrected.

Criteria

Indiana Code 8-14-1-5(c) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

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)

CLERK-TREASURER
TOWN OF PALMYRA
EXIT CONFERENCE

The contents of this report were discussed on December 21, 2023, with Debra Atkins, President of the Town Council; Debra L. Jones, Clerk-Treasurer; and Samantha Childers, Utility Clerk.