

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF SPURGEON

PIKE COUNTY, INDIANA

January 1, 2022 to December 31, 2022



**FILED**

09/12/2023



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Dorothy A. Julian	01-01-22 to 12-31-23
President of the Town Council	Eric Heaton	01-01-22 to 12-31-23
Superintendent of Water Utility	Larry W. Julian	01-01-22 to 12-31-23



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF SPURGEON, PIKE COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Spurgeon (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/](http://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 23, 2023

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CLERK-TREASURER  
TOWN OF SPURGEON

CLERK-TREASURER  
TOWN OF SPURGEON  
AUDIT RESULTS AND COMMENTS

**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:

*Grant Schedule*

The Town failed to properly review the financial information on the Town's Grant Schedule prepared and submitted in Gateway. The Clerk-Treasurer compiled, reviewed, and submitted the information into Gateway. There was no evidence of segregation of duties such as an oversight, review, or approval process to prevent, or detect and correct, errors prior to submission.

1. The Water and Waste Disposal Systems for Rural Communities expenditures were understated by \$476,962.
2. The COVID-19 - Coronavirus State and Local Fiscal Recovery Funds expenditures were overstated by \$156,017.
3. Other errors included incorrect programs names for all programs reported and two of three incorrect pass-through identification numbers.

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:

"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 SPURGEON  
AUDIT RESULTS AND COMMENTS  
(Continued)

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](#)."

## **INTERNAL CONTROLS**

### *Condition and Context*

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not established an effective internal control system that separated incompatible activities related to receipts and financial close and reporting.

### *Receipts*

The Clerk-Treasurer prepared the daily deposits of the water utility and delivered them to the bank; however, the deposits were not recorded in the receipt books which were reviewed monthly by the Town Council. There was no documentation of an oversight process or review over the water utility receipts to ensure that all receipt activity was accurately recorded and deposited.

### *Financial Close and Reporting*

The Clerk-Treasurer entered and submitted financial information for the Town into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Annual Financial Report (AFR) and financial statement. There was no evidence of an internal control, such as an oversight, review, or approval process to prevent, or detect and correct, errors on the AFR prior to submission.

The lack of internal controls resulted in errors on the AFR. The activity from the SWIF Grant was not recorded on the Town's ledger, which understated receipts and disbursements of the Sewer Loan fund by \$608,957 each.

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

### *Criteria*

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AUDIT RESULTS AND COMMENTS  
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CLERK-TREASURER  
TOWN OF SPURGEON  
EXIT CONFERENCE

The contents of this report were discussed on August 23, 2023, with Dorothy A. Julian, Clerk-Treasurer, and Sandra K. Barrett, Town Council member.