

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF LIBERTY

UNION COUNTY, INDIANA

January 1, 2018 to December 31, 2022



FILED
01/09/2024

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---|-----------------|----------------------|
| Clerk-Treasurer | Melissa Shepler | 01-01-18 to 12-31-23 |
| President of the Town Council | Keith Bias | 01-01-18 to 12-31-23 |
| Superintendent of Water Utility | Matt Reuss | 01-01-18 to 12-31-23 |
| Superintendent of Wastewater Utility | Matt Reuss | 01-01-18 to 12-31-23 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF LIBERTY, UNION COUNTY, INDIANA

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

December 21, 2023

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CLERK-TREASURER
TOWN OF LIBERTY

CLERK-TREASURER
TOWN OF LIBERTY
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

Financial, supplementary information, 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 immaterial errors to the financial statements.

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

Capital Assets

We were not able to determine if the Town correctly reported the capital asset information. The Town did not provide a detailed listing of capital assets for the audit period to verify amounts reported.

Accounts Payables and Receivables

The Schedule of Payables and Receivables entered into Gateway could not be verified due to a lack of supporting documentation for the amounts reported

The Schedule of Capital Assets and the Schedule of Payables and Receivables will not be presented as Other Information in the Financial Statements Audit Report for 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](#)."

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in prior Report B50827, 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, receipts, and disbursements.

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

Financial Close and Reporting

The Clerk-Treasurer prepared, entered, and submitted financial information for the Annual Financial Reports into the Indiana Gateway for Government Units financial reporting system, which was the source of the Town's financial statements. An oversight or review process had not been designed or implemented at the Town that would likely prevent, or detect and correct, errors on the financial statements.

Disbursements

The internal controls over disbursements were not properly implemented. The Town did not provide a claims docket approved by the governing body for 1 of the 60 months in the audit period.

Receipts

The internal controls over receipts were not properly implemented during the audit period. The Town had receipted 3 of the 241 transfers into incorrect funds during the audit period.

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. . . ."

CAPITAL ASSETS

Condition and Context

The Town did not properly maintain a detailed listing of all capital assets. Additionally, the Town did not provide evidence that a physical inventory of its capital assets was conducted at least every two years as required.

CLERK-TREASURER
TOWN OF LIBERTY
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)

CLERK-TREASURER
TOWN OF LIBERTY
EXIT CONFERENCE

The contents of this report were discussed on December 21, 2023, with Melissa Shepler, Clerk-Treasurer, and Keith Bias, President of the Town Council.