

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF HAMLET

STARKE COUNTY, INDIANA

January 1, 2019 to December 31, 2022



FILED

11/30/2023

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Internal Controls	6
Capital Assets	7
Record of Hours Worked.....	7-8
Ordinances and Resolutions	8
Annual Financial Report - Other Information	9
Timely Recording	9-10
Official Response.....	11
Exit Conference	12

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kristina Pitts	01-01-19 to 12-31-23
President of the Town Council	Dave Kesvornas	01-01-19 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 HAMLET, STARKE COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Hamlet (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.

Beth Kelley, CPA, CFE
Deputy State Examiner

November 20, 2023

(This page intentionally left blank.)

CLERK-TREASURER
TOWN OF HAMLET

CLERK-TREASURER
TOWN OF HAMLET
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

The same comment also appeared prior Report B54134.

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to all areas of the financial statements. The failure to establish these internal controls could have enabled material misstatements to occur and remain undetected. The Town did not have policies or procedures to ensure accurate recording and reporting of receipts, payroll disbursements, and financial close and reporting. There was no oversight or review process.

Receipts

There were no documented internal controls to ensure that collections were properly receipted. One employee generated the receipt and posted to the books without oversight or review.

Payroll Disbursements

There was no documented internal control in place to ensure that payroll disbursements were properly recorded. One employee generated payroll checks and posted to the ledger without oversight or review.

Financial Close and Reporting

The Clerk-Treasurer uploaded the financial information from the accounting software into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Reports (AFR) and the financial statements. After uploading the information for the AFR, there was no review or approval of the submitted report.

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 HAMLET
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSETS

Condition and Context

The Town did not properly maintain a detailed listing of capital assets. In addition, the Town had not performed a complete physical inventory within the last two years as required.

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)

RECORD OF HOURS WORKED

This same comment appeared in a Management Letter addressed to the Town officials for the audit period ending December 31, 2018.

Condition and Context

The Town was not in compliance with the laws and regulations related to payroll disbursements. Of the 28 payroll checks tested, 9 did not have attendance sheets for the corresponding pay period. Furthermore, the Town does not keep any attendance sheets or any employee service records for any of the salaried employees.

Criteria

Indiana Code 5-11-9-4(b) states in part:

"The state board of accounts shall require that records be maintained showing which hours are worked each day by officers and employees: . . .

(2) employed by more than one (1) public agency or in more than one (1) position by the same public agency . . ."

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

- General Form 99A, Employee's Service Record
- General Form 99B, Employee's Earnings Record
- General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

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

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ORDINANCES AND RESOLUTIONS

The same comment also appeared prior Report B54134.

Condition and Context

A test of 27 utility billings indicated the following errors:

1. Water Utility customers who consumed between 4,000 and 5,000 gallons in a billing cycle were not billed at the approved rate established in 2017, according to Ordinance 201711, up through and after Ordinance 202112, which was approved on January 5, 2022, and amended on May 25, 2022. Also, one customer's monthly bill was billed at a rate that was incorrect for the size of the meter installed.
2. For the Wastewater Utility, a summer sprinkler credit was applied to those wastewater customers who watered their lawns during specified months out of the year; however, an ordinance establishing the credit was not provided for audit. In a test performed on 27 Wastewater Utility customers, 2 customers' bills were estimated, but the rate applied was not the current approved rate established in 2014, according to Ordinance 21012014. Also, when a wastewater customer's consumption is overestimated for a billing cycle, it is unknown whether the customer's subsequent bill is charged the minimum rate prior to applying a credit for the prior cycle's overestimation.
3. Residents who paid the Town for sanitation (garbage and recycling) services were over-charged during the audit period. The Town's last known approved rate of \$9.11 per month was established in 2007 with Ordinance 12182007 and was effective March 1, 2012. The Town is currently charging customers \$13.98 per month. Also, the Town was unable to provide an ordinance for audit that established a late penalty fee of 10 percent which was charged to customers who paid their bill late.

In addition, in the sample of seven police report charges tested, there were four instances in which the Town did not charge the correct amount for police reports. In accordance with the Ordinance to Establish the Fees for Copies of Police Accident Reports, the Town should have collected \$5; however, they only collected \$3.

Criteria

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts.
(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

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

Capital Assets

The Town did not maintain a capital asset listing. The Schedule of Capital Assets was removed from Other Information presented in the Financial Statements Audit Report for the Town.

Leases and Debt

1. The ending principal balance was overstated for the Sewage Works Revenue Bonds of 2014 by \$45,000, \$95,000, \$145,000, and \$195,000, in 2019, 2020, 2021, and 2022, respectively.
2. The principal due within one year for the Sewage Works Revenue Bonds of 2014 was understated by \$50,000 for 2019 and 2020.

Adjustments were proposed, accepted by the Town, and made to the Schedule of Leases and Debt 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](#)."

TIMELY RECORDING

The same comment also appeared prior Report B54134.

Condition and Context

In a test performed on 27 utility collections, 4 collections were not posted to the Town's accounting software timely, and supporting documentation for another collection could not be provided indicating the date collected. The 4 untimely postings were posted to the accounting software between 10 and 13 days after collection.

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

Criteria

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)

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

DAVE KESVORMAS
PRESIDENT

TOWN OF HAMLET

10 SOUTH STARKE STREET
HAMLET, INDIANA 46532
(547) 867-3541 PHONE
(547) 867-1035 FAX

BRIAN EARNEST
BOARD MEMBER

KRISTINA PITTS
CLERK/ TREASURER

CONNIE BAILEY
BOARD MEMBER

OFFICIAL RESPONSE

Date: November 29, 2023

Indiana State Board of Accounts

302 West Washington St. Room E418

Indianapolis, IN 46204-2765

Re:

The Town of Hamlet is working on doing better with internal controls. The Board will get the monthly receipts at the last meeting of each month. The Town will have a better detailed listing of our capital assets and do a physical inventory every two years. All the employees will start turning in time sheets to the Clerk-Treasurer each week to keep better track of vacation days. The Town will rewrite the water ordinance to make sure the software program charges everyone correctly. We will also get a summer sprinkling credit ordinance written up, along with a proper trash ordinance. The Clerk will fix the sewer debt lines on gateway for the annual report. The Clerks office will start doing credit card collections once a week, instead of twice a month.



Kristina Pitts

Clerk Treasurer

CLERK-TREASURER
TOWN OF HAMLET
EXIT CONFERENCE

The contents of this report were discussed on November 20, 2023, with Kristina Pitts, Clerk-Treasurer, and Dave Kesvornas, President of the Town Council.