

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ELNORA

DAVISS COUNTY, INDIANA

January 1, 2019 to December 31, 2022



FILED

12/19/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Heather L. Davis	01-01-19 to 12-31-23
President of the Town Council	Jesse Emmons	01-01-19 to 12-31-23
Superintendent of the Water Utility	Wayne Ellis Kevin Quakenbush	01-01-19 to 06-06-21 06-07-21 to 08-24-21
Superintendent of the Wastewater Utility	Wayne Ellis Kevin Quakenbush	01-01-19 to 06-06-21 06-07-21 to 08-24-21



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF ELNORA, DAVIESS COUNTY, INDIANA

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

December 11, 2023

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CLERK-TREASURER
TOWN OF ELNORA

CLERK-TREASURER
TOWN OF ELNORA
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

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 information entered into Gateway contained the following errors:

Payables and Receivables

- 2019 accounts receivable - overstated by \$640,316; 2019 accounts payable - overstated by \$803,160.
- 2020 accounts receivable - understated by \$32,140; accounts payable - understated by \$21,823.
- 2021 accounts payable - overstated by \$1,453.
- 2022 accounts receivable - overstated by \$245,177; accounts payable - understated by \$2,468.

Adjustments were proposed, accepted by the Town, and made to the Schedule of Payables and Receivables presented as Other Information in the Financial Statements Audit Report of the Town.

Leases and Debt

- 2019 ending principal balance - overstated by \$25,000, and principal due within one year - overstated by \$27,054 for the Wastewater Utility bond.
- 2019 ending principal balance - overstated by \$45,000, and principal due within one year - overstated by \$19,423 for the Water Utility bond.
- 2020 ending principal balance - understated by \$2,054, and principal due within one year - overstated by \$26,386 for the Wastewater Utility bond.
- 2020 ending principal balance - overstated by \$25,849, and principal due within one year - overstated by \$18,337 for the Water Utility bond.
- 2021 ending principal balance - understated by \$24,000 for the Water Utility bond.
- 2022 ending principal balance - understated by \$25,769 for the Wastewater Utility bond, and \$16,921 for the Water Utility bond.

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 of the Town.

Federal Grants

The Town did not report the Coronavirus State and Local Fiscal Recovery Funds for 2022 in the amount of \$75,456 in the Gateway grant schedule.

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

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](#)."

BANK ACCOUNT RECONCILIATIONS

Condition and Context

The Town did not reconcile the Bank of New York funds during the monthly reconciliation. In addition, these monthly transactions were not recorded in the ledger.

Criteria

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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 of capital assets.

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 ELNORA
AUDIT RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in prior Report B53214, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

There were deficiencies in the internal control system of 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 was solely responsible for all aspects of receipting and utility collections with no internal controls in place, such as an oversight, review, or approval process.

Financial Close and Reporting

The Clerk-Treasurer entered and submitted financial information for the Town into the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Report and financial statements. There was no evidence of an internal control, such as an oversight, review, or approval process, to ensure the accuracy of the information entered and submitted.

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 ELNORA
EXIT CONFERENCE

The contents of this report were discussed on December 11, 2023, with Heather L. Davis, Clerk-Treasurer, and Jerry Beck, Town Council member.

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TOWN COUNCIL
TOWN OF ELNORA

TOWN COUNCIL
TOWN OF ELNORA
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 ELNORA
EXIT CONFERENCE

The contents of this report were discussed on December 11, 2023, with Heather L. Davis, Clerk-Treasurer, and Jerry Beck, Town Council member.