

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF UPLAND

GRANT COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED

09/27/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mary Fletcher	01-01-23 to 12-31-24
President of the Town Council	Ron Sutherland Shawn Sizemore	01-01-23 to 03-19-24 03-20-24 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF UPLAND, GRANT COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Upland (Town), for the period from January 1, 2023 to December 31, 2023. 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

September 18, 2024

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CLERK-TREASURER
TOWN OF UPLAND

CLERK-TREASURER
TOWN OF UPLAND
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER COMPLIANCE

A similar comment appeared in the immediate prior report.

Condition and Context

The Town did not have effective internal controls in place to ensure compliance with applicable laws and regulations. The following noncompliance issues were identified and explained in additional comments:

- Financial Transactions and Reporting
- Overdrawn Cash Balances
- Penalties, Interest, and Other Charges
- Capital Assets
- Utility Billing

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. . . ."

FINANCIAL TRANSACTIONS AND REPORTING

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 Annual Financial Report (AFR) financial information reported on Gateway is the source of the financial statement.

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

Although the Town Council had established internal controls standards by passing Ordinance 2016-006, the Town had not implemented the standards or assessed the quality of these internal controls. As a result, there were deficiencies in the internal control system of the Town, which resulted in the following issues:

Receipts and Disbursements

Transactions related to the BONY - Construction fund were not recorded or reported properly, which understated both receipts and disbursements by \$731,680.

Financial Reporting

As a result of the unrecorded BONY - Construction fund transactions, the financial information entered into Gateway was incorrect.

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

Other Information - Grants

Grant information reported in the AFR omitted the COVID-19 - Coronavirus State and Local Fiscal Recovery Funds program, which understated expenditures by \$1,451,455. Other errors included incorrect grantor agencies, program titles, pass-through entities, and identifying numbers.

Audit adjustments were proposed, accepted by the Town, and made to the Schedule of Expenditure of Federal Awards (SEFA) presented in the Federal Compliance Audit Report of the Town.

Other Information - Capital Assets

The Town reported capital assets in the AFR; however, supporting documentation to verify the amounts reported was not available for audit. As a result, the Schedule of Capital Assets was not included in the Financial Statement 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 as set forth in the uniform compliance guidelines. 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](#)."

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1.

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

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)

OVERDRAWN CASH BALANCES

A similar comment appeared in the immediate prior report.

Condition and Context

The Town had negative fund balances at December 31, 2023, in the Water Operating fund in the amount of \$269,917 and Water Utility Construction (In Progress) fund in the amount of \$8,159.

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

PENALTIES, INTEREST, AND OTHER CHARGES

A similar comment appeared in the immediate prior report.

Condition and Context

In 2023, the Town paid penalties and interest in the amount of \$1,606 due to untimely remittance of taxes and late payment on invoices. The Town subsequently received a waiver of penalties in the amount of \$450 and was refunded that amount.

Criteria

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit 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

The same comment appeared in the immediate prior report.

Condition and Context

The Town did not maintain a capital asset listing, and evidence of a physical inventory was not provided for audit.

CLERK-TREASURER
TOWN OF UPLAND
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)

UTILITY BILLING

Condition and Context

The Town passed Ordinance 2-2023 which increased the rates for the Wastewater Utility. These changes were to be effective March 2023 for the April 2023 billing. Of the 15 customers tested, all were incorrectly charged \$3 less than the new approved rate.

Criteria

Units have a responsibility to collect amounts owed to the unit pursuant to procedures authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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 UPLAND
EXIT CONFERENCE

The contents of this report were discussed on September 18, 2024, with Mary Fletcher, Clerk-Treasurer; Brad Yordy, Town Council member; Michael Harbin, Town Council member; Jonathan Perez, Town Manager; and Adrienne Rines Hammond, Town Attorney.