

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

**Paul D. Joyce, CPA  
State Examiner**

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF HAGERSTOWN

WAYNE COUNTY, INDIANA

January 1, 2024 to December 31, 2024



**FILED**

04/08/2025



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Julie Neal	01-01-24 to 12-31-25
President of the Town Council	Allan Bullock	01-01-24 to 12-31-25
Utility Billing Clerk	Maranda Pitcher (Vacant) Gretchen Saunders	01-01-24 to 06-21-24 06-22-24 to 07-21-24 07-22-24 to 12-31-25



Paul D. Joyce, CPA  
State Examiner

## INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE TOWN OF HAGERSTOWN, WAYNE COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Hagerstown (Town), for the period from January 1, 2024 to December 31, 2024. 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 opinion 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

April 2, 2025



CLERK-TREASURER  
TOWN OF HAGERSTOWN

CLERK-TREASURER  
TOWN OF HAGERSTOWN  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

*Condition and Context*

There was a deficiency in the internal control system of the Town related to financial close and reporting. The Town had not separated incompatible activities related to financial close and reporting. The failure to establish an effective system of internal controls could have enabled material misstatements to occur and to remain undetected.

*Financial Close and Reporting*

Financial information is required to be entered annually into the Indiana Gateway for Government Units financial reporting system, which is the source of the Town's Annual Financial Report (AFR). The AFR information was entered and submitted by the Clerk-Treasurer for 2024 without a documented oversight, review, or approval process in place to ensure accuracy and timely submission.

*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. . . ."

**ORDINANCES AND RESOLUTIONS**

A similar comment appeared in a Management Letter addressed to the Officials of the Town for the Compliance Engagement period ending December 31, 2023.

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

*Condition and Context*

There was a deficiency in the internal control system of the Town related to utility billings. The failure to establish an effective system of internal controls allowed errors to occur in billings to utility customers which were undetected.

Of 25 utility billings tested, 19 were incorrectly billed for hydrant rental charges.

The Water Utilities Ordinance 3-1977 and its Amendment Ordinances, Codified in Town of Hagerstown, Indiana Code of Ordinances, Title V, Chapter 52, establishes rate schedules for Public Fire Protection charges effective January 1, 2024 and July 1, 2024, respectively; however, the Town had not updated the rates charged to accounts to reflect these amendments.

Two water utilities billings tested were found to have incorrect usage applied to the billing. This resulted in a \$292 overcharge and a \$8 undercharge to the respective accounts.

The Electric Utilities Ordinance 8-2019, Codified in Town of Hagerstown, Indiana Code of Ordinances, Title V, Chapter 51, establishes a Facilities Fee of \$5 to be charged to each electric utility billing of the Town; however, it was not applied to one electric billing tested.

*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)

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CLERK-TREASURER  
TOWN OF HAGERSTOWN  
EXIT CONFERENCE

The contents of this report were discussed on April 2, 2025, with Julie Neal, Clerk-Treasurer, and Allan Bullock, President of the Town Council.