

**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 HAMLET

STARKE COUNTY, INDIANA

January 1, 2023 to December 31, 2023



**FILED**

01/15/2025



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kristina Pitts	01-01-23 to 12-31-25
President of the Town Council	Dave Kesvornas	01-01-23 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 HAMLET, STARKE COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Hamlet (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/](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

January 8, 2025



CLERK-TREASURER  
TOWN OF HAMLET

CLERK-TREASURER  
TOWN OF HAMLET  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS**

A similar comment also appeared in prior Reports B54134 and 000001472S, entitled *INTERNAL CONTROLS*.

*Condition and Context*

There were deficiencies in the internal control system of the Town related to financial transactions. The Town had not separated incompatible activities related to receipts and disbursements. The failure to establish internal controls could have enabled material misstatements to occur and remain undetected. The Town did not have policies and procedures to ensure accurate recording and reporting of receipts and disbursements.

*Receipts*

Receipts were recorded in the records by one employee without an oversight or review process in place to ensure the completeness, timeliness, and accuracy of the collections posted.

*Disbursements*

The Clerk-Treasurer recorded all disbursements in the record without an adequate oversight or review process to ensure the completeness, timeliness, and accuracy of the payments posted. Though all disbursements tested indicated approval by the Town Council, the procedures did not include a process to review the disbursements to the supporting documentation to ensure completeness, timeliness, and accuracy of the payments posted.

*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)

**INTERNAL CONTROLS - COMPLIANCE**

*Condition and Context*

Internal control deficiencies resulted in noncompliance over:

- Ordinances and Resolutions
- Annual Financial Report
- Local Road and Bridge Matching Grant Fund

These internal control deficiencies are further detailed in the comments below.

*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:

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**ORDINANCES AND RESOLUTIONS**

The same comment also appeared in prior Reports B54134 and 000001472S.

*Condition and Context*

Internal controls were not in place to ensure that billing credits included on wastewater utility bills were properly authorized and included in an ordinance.

The Town applied a summer sprinkler credit to wastewater customers who water 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 29 utility bills, the Town applied a summer sprinkler credit to one customer. Upon further inspection of the billing histories, it was noted that multiple customers received a summer sprinkler credit.

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

Section 1 of Ordinance 21012014, which established the current rates and charges for the use of and service rendered by the municipal sewage works, states:

"For the use of and services rendered by the municipal sewage works, rates and charges shall be collected from the owner of each and every lot, parcel of real estate, or building, that is connected with the Town's sanitary sewer system, or otherwise discharges sanitary sewage, industrial waste, water, or liquids, either directly or indirectly, into the sanitary sewer system of the Town of Hamlet, which rates and charges shall be payable as provided in this Section, and shall be in the amount determined as follows:

(a) Except as otherwise provided in this ordinance, sewage rates and charges shall be based on the quantity of water used on or in the property or premises, subject to such rates and charges, as the rates and charges are measured by the water meter there in use. . . ."

No other sections of this Ordinance allowed a credit to be applied.

*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)

**ANNUAL FINANCIAL REPORT**

A similar comment also appeared in prior Report 000001472S, entitled *ANNUAL FINANCIAL REPORT - OTHER INFORMATION*.

*Condition and Context*

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units financial reporting system. The Town had not established effective internal controls over the information in the AFR, which resulted in the following errors:

*Capital Assets*

The AFR included total capital assets of \$158,159. However, this total did not agree to the detailed listing of capital assets total of \$2,687,558, which resulted in the understatement of capital assets by \$2,529,399.

The AFR is the basis for the Schedule of Capital Assets presented as Other Information in the Financial Statement Audit Report. Audit adjustments were proposed, accepted by the Town, and made to the Schedule of Capital Assets and the capital asset information within the AFR.

*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](#)."

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

**LOCAL ROAD AND BRIDGE MATCHING GRANT FUND**

*Condition and Context*

Internal controls were not in place to ensure grant funds were properly recorded in the records. The Town received \$207,338 from the State of Indiana for a Community Crossings Matching Grant (CCMG) which was not properly recorded to a separate Local Road and Bridge Matching Grant fund as required. Instead, the CCMG was recorded to the EDIT fund, which commingled the grant and the matching funds with other funds.

*Criteria*

The grant itself should be treated as any other grant by setting up a separate state grant fund entitled Local Road and Bridge Matching Grant Fund. Any matches to the grant should be transferred to this fund. (Cities and Towns Bulletin, June 2016)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (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

SHIRLEY BUDKA  
BOARD MEMBER

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Date: January 8, 2025

Indiana State Board of Accounts  
302 West Washington St. Room E418  
Indianapolis, IN 46204-2765

Re:

The Town Board gets the monthly receipts at the first meeting of each month to review along with the claims docket at every meeting. The Clerk will have her Deputy or a Board member start reviewing every receipt and disbursement.

The Town will have a better detailed listing of our capital assets and do a physical inventory every two years.

The Town will write a resolution for the summer sprinkling credit. The Clerk will create a new fund for the CCMG.

Kristina Pitts



Clerk-Treasurer  
Town of Hamlet

CLERK-TREASURER  
TOWN OF HAMLET  
EXIT CONFERENCE

The contents of this report were discussed on January 8, 2025, with Kristina Pitts, Clerk-Treasurer; Dave Kesvornas, President of the Town Council; and Shirley Budka, Town Council member.