

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

COMPLIANCE ENGAGEMENT REPORT

OF

TOWN OF CYNTHIANA

POSEY COUNTY, INDIANA

January 1, 2019 to December 31, 2023



FILED
05/21/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cindy Schmitz	01-01-19 to 12-31-24
President of the Town Council	Troy Kennedy	01-01-19 to 12-31-19
	Jeffery Gee	01-01-20 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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TO: THE OFFICIALS OF THE TOWN OF CYNTHIANA, POSEY COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Town of Cynthiana (Town), for the period of January 1, 2019 to December 31, 2023. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the Town as this engagement was not conducted in accordance with any standards established by an authoritative standard setting body, and, as such, we do not provide any opinions on compliance or financial activity.

Management is responsible for preparing and maintaining its accounting records and related documents in accordance with applicable Indiana laws, regulations, and Guidelines. Management's responsibility also includes, but is not limited to, complying with other applicable Indiana laws, regulations, and Guidelines concerning how it operates: authorized sources and uses of funds; what reports are required to be prepared and filed; and what depositories and investment types are allowable.

We fulfilled our responsibility as detailed in the first paragraph, using procedures that verified the appropriate accounting for and reporting of cash, receipts, and disbursements; and the appropriate sources and uses of funds in accordance with applicable Indiana laws, regulations, and Guidelines. Expanding the scope and nature of these procedures can and does occur in specific circumstances.

The Comments contained herein, if any, describe the identified reportable instances of noncompliance found during our engagement. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified. Any Official Response to the Comments incorporated within this report was not verified for accuracy.

The Schedule of Officials and Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Statements) are informational only. The Statements have not been subjected to any procedures designed to express an opinion or provide any assurance on them, and, accordingly, we do not express an opinion or provide any assurance on them.

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record. Reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>, and the Town's Annual Financial Reports filed by management can be found on the Indiana Gateway for Government Units financial reporting system website: <http://www.gateway.ifionline.org>.

The contents of this report were communicated to Cindy Schmitz, Clerk-Treasurer, and Steven Sims, Town Council member, on May 2, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

April 9, 2024

TOWN OF CYNTHIANA
COMMENTS

INTERNAL CONTROLS

Condition and Context

Internal controls were not in place to ensure the Town complied with laws, regulations, and uniform compliance guidelines. Noncompliance over the Annual Financial Report, Approval of Claims, Capital Assets, CARES Act Fund, Compensation and Benefits, Contracts, and Overdrawn Cash Balances occurred as detailed further 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:

"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. . . ."

ANNUAL FINANCIAL REPORT

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 financial reporting system. Due to the lack of internal controls, the Town's AFRs contained the following errors:

Leases and Debt

The Town did not properly report its debt during the engagement period as follows:

- Notes and Loans Payable, Principal and Interest Due Within One Year related to the purchase of a utility truck in 2020 was overstated by \$30,100 in the 2020 AFR submission.
- Notes and Loans Payable, Principal and Interest Due Within One Year related to the 2020 utility truck was understated by \$9,432 in 2021, 2022, and 2023.
- The Town did not report the \$6,744 in Street Light Renovation Notes and Loans Payable, Principal and Interest Due Within One Year in 2021, 2022, and 2023, so the AFRs for each year automatically calculated the amount as the remaining outstanding principal balance.

TOWN OF CYNTHIANA
COMMENTS
(Continued)

Capital Assets

The Town did not properly report its capital assets during the engagement period as follows:

- Town capital asset additions were understated by \$84,238, \$71,338, and \$7,367 in 2019, 2021, and 2023, respectively. Capital asset deletions were overstated by \$1,776 in 2020.
- Wastewater capital asset deletions were overstated by \$888 in 2020. Capital asset additions were understated by \$9,020 and \$7,337 in 2022 and 2023, respectively.
- Water capital asset deletions were understated by \$25,112 in 2020, and capital asset additions were understated by \$7,367 in 2023.

Grants

The Town did not properly report all grant activity in 2021. The Coronavirus State and Local Fiscal Recovery Funds expenditures were understated by \$13,961.

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](#)."

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)

APPROVAL OF CLAIMS

Condition and Context

All claims against a governmental entity must be certified by the fiscal officer and allowed by the legislative body before they are paid. As allowed under Indiana Code 5-11-10-1.6(d)(4), the Town Council approved an ordinance to allow payment of claims in advance of approval by the Town Council if the following two conditions were met: (1) the claim becomes due prior to the regularly scheduled Town Council meeting, and (2) the claim does not exceed \$300.

Of the 45 vendor claims selected for testing, 32 were not certified by the Clerk-Treasurer prior to payment. Additionally, 24 claims which did not meet the requirements established in the ordinance noted above were paid prior to approval by the Town Council. Of these claims, 18 exceeded the \$300 threshold. An additional 6 claims had a due date that was after the Town Council approval date, including 3 that could have been approved at a meeting prior to the payment date.

In addition, 15 of the 25 payroll claims selected for testing were not approved by the fiscal agent or Town Council.

TOWN OF CYNTHIANA
COMMENTS
(Continued)

Criteria

Indiana Code 5-11-10-2(a) states:

"Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

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)

CAPITAL ASSETS

Condition and Context

The Town reported total capital assets in the amount of \$3,157,806, which was determined to be inaccurate as it did not properly account for all capital asset activity related to additions and deletions during the engagement period. The Town properly reported additions and deletions for 2019-2022, but failed to report two asset purchases as additions in 2023.

While the Town maintained a detailed listing of capital assets which reflected their acquisition value, it did not support the amount reported as the detailed listing was incomplete. The capital asset activity that occurred during the period was not reflected in the detailed listing. The Town acquired eight capital assets during the period that were not properly added to the detailed listing. One of the purchases during the period was a replacement of an existing asset, and the disposition of the existing asset was not reflected in the detailed listing. The total amount of additions and deletions not properly recorded in the Town's detailed listing totaled \$337,723 and \$26,000, respectively.

The Town also did not complete a physical inventory at least once every 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)

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

CARES ACT FUND

Condition and Context

The Town did not properly account for activity related to federal funds received from the Coronavirus Relief Fund program in accordance with State Examiner Directive 2020-3 (Directive).

TOWN OF CYNTHIANA
COMMENTS
(Continued)

The Town spent \$2,981 directly out of the COVID-19 CARES Act Grant (CARES) fund in anticipation of receipt of reimbursement for allowable expenditures. Of this amount, \$2,717 was spent after the Directive was issued on October 22, 2020, in which units were directed to stop expending from the CARES fund and to expend from a fund with an appropriation.

Criteria

Framework One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. Reimbursed disbursements originally incurred in another fund will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the fund cash balance and re-appropriate the fund in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the original fund, it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section. . . .

Framework Three. If you have created a negative balance in your CARES fund based on expenditures made in anticipation of receipt of reimbursement for allowable expenditures where invoices have already been submitted to IFA then leave as is and receipt reimbursement when received, bringing the balance in the separate CARES grant fund to zero. Going forward, expend any anticipated allowable expenditures from a fund with an appropriation and follow framework one. If a negative balance in the CARES grant fund is not fully reimbursed, then the unreimbursed amount will require a reverse entry and posting of the expenditure to the general or other appropriate fund within an appropriated line item. . . .

(State Examiner Directive 2020-3)

COMPENSATION AND BENEFITS

Condition and Context

There were 25 employee payroll checks selected for testing. Of those, 1 was not supported by time records, and one employee was paid in advance of hours worked. Upon further review, it was determined that all employees were paid in advance of hours worked for one pay period during the engagement period.

This test included 1 payroll check dated December 17, 2020, for which the hourly rate was higher than the amount approved in the salary ordinance. Based upon our review of this employee, employment began in May 2020, and the hourly rate continued to be higher than the approved salary until 2023, when the employee signed an employee agreement that was approved by the Town Council.

Additionally, 25 pay periods were selected for testing. Timecards were not approved by the appropriate official or department head for 12 of those periods, and the fiscal agent did not approve the payroll claim for 15 of those periods.

TOWN OF CYNTHIANA
COMMENTS
(Continued)

Criteria

Indiana Code 5-11-9-4 states:

"(a) The state board of accounts is hereby authorized to prescribe the forms of accounts and vouchers provided for by sections 1 and 2 of this chapter.

(b) The state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees:

(1) covered by section 1 or 2 of this chapter; and

(2) employed by more than one (1) public agency or in more than one (1) position by the same public agency described in section 1 or 2 of this chapter."

Indiana Code 5-11-10-2(a) states:

"Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

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.

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

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Compensation and any other payments for goods and services must not be paid in advance of receipts of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN OF CYNTHIANA
COMMENTS
(Continued)

CONTRACTS

Condition and Context

The Town did not comply with laws and regulations related to contractual payments made during the engagement period.

The Town received two awards under the Community Crossing Matching Grant program that the Town utilized for paving projects in 2019 and 2021. The Town advertised for bids for the 2019 project, which were opened in a public meeting with the bid then awarded to the lowest bidder. However, the Town never entered into a formal contract after accepting the bid. The Town made total payments of \$112,317 to the contractor without a written contract.

The contract provided by the Town for the 2021 project was insufficient as it did not include any details on the work to be performed or the amount that the contractor would be paid. The Town did not provide any other documentation for review, and the payment amount was only determined by reading through the minutes of the Town Council meetings. Due to the lack of details within the contract, we could not determine if the Town complied with the terms of the contract. The Town made total payments of \$95,118 to the contractor.

Criteria

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

OVERDRAWN CASH BALANCES

The same comment appeared in a Management Letter addressed to the Officials of the Town for the prior engagement period ending December 31, 2018.

Condition and Context

Overdrawn cash balances were reported for all years of the engagement period. The Payroll fund served as a clearing account and began operating with a negative balance due to disbursements from the fund exceeding receipts in 2016 and 2017 during the prior engagement period. The Payroll fund had negative cash balances in the amounts of \$38,332, \$37,852, \$37,852, \$37,852, and \$37,587 at December 31, 2019, 2020, 2021, 2022, and 2023, respectively. There is no evidence that Town officials have made any effort to determine the exact cause and make the fund whole.

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. In an instance in which a unit receives a reimbursement grant, the unit must be claiming reimbursement in a timely manner. In this case, it would be possible for a fund to be overdrawn for a short period of time. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS

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TOWN OF CYNTHIANA
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2019 and 2020

Fund	Cash and Investments 01-01-19	Receipts	Disbursements	Cash and Investments 12-31-19	Receipts	Disbursements	Cash and Investments 12-31-20
General Fund	\$ 131,448	\$ 114,083	\$ 148,814	\$ 96,717	\$ 141,988	\$ 138,534	\$ 100,171
Motor Vehicle Highway	70,454	20,097	39,445	51,106	18,146	25,855	43,397
Local Road and Street	30,342	5,138	13,318	22,162	4,948	1,843	25,267
Rainy Day	21,593	-	-	21,593	-	-	21,593
Local Road and Bridge Matching Grant	-	113,593	113,172	421	-	-	421
Cumulative Capital Improvement - Cigarette Tax	46,915	1,245	5,000	43,160	1,182	12,274	32,068
Cumulative Capital Development	15,940	1,985	10,000	7,925	1,983	-	9,908
LIT - Economic Development (Formerly CEDIT)	34,443	17,264	13,803	37,904	20,007	6,263	51,648
COVID-19 Cares Grant	-	-	-	-	-	2,831	(2,831)
LIT - Public Safety	12,467	9,357	309	21,515	10,849	8,301	24,063
Ball Park Donations	-	-	-	-	400	-	400
Local Road and Bridge Matching Grant	-	-	-	-	-	-	-
MVH Restricted	-	9,799	-	9,799	10,344	-	20,143
Community Center and Park Rental	7,936	4,515	2,220	10,231	1,080	500	10,811
Community Foundation Grant	-	5,000	5,000	-	5,000	-	5,000
Payroll	(34,841)	173,808	177,299	(38,332)	177,257	176,777	(37,852)
Sewage Utility Operating	48,638	139,696	154,287	34,047	156,459	150,886	39,620
Water Utility Operating	32,234	143,119	136,190	39,163	161,724	152,943	47,944
Water Utility Meter Deposit	1,930	3,300	1,530	3,700	2,550	1,242	5,008
Totals	<u>\$ 419,499</u>	<u>\$ 761,999</u>	<u>\$ 820,387</u>	<u>\$ 361,111</u>	<u>\$ 713,917</u>	<u>\$ 678,249</u>	<u>\$ 396,779</u>

TOWN OF CYNTHIANA
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2021 and 2022

Fund	Cash and Investments 01-01-21	Receipts	Disbursements	Cash and Investments 12-31-21	Receipts	Disbursements	Cash and Investments 12-31-22
General Fund	\$ 100,171	\$ 115,201	\$ 121,017	\$ 94,355	\$ 184,454	\$ 114,076	\$ 164,733
Motor Vehicle Highway	43,397	18,105	7,217	54,285	18,614	8,988	63,911
Local Road and Street	25,267	5,418	14,160	16,525	5,657	6,603	15,579
Rainy Day	21,593	-	-	21,593	-	-	21,593
Opioid Restricted	-	-	-	-	1,231	-	1,231
Opioid Unrestricted	-	-	-	-	528	-	528
Cumulative Capital Improvement - Cigarette Tax	32,068	1,120	4,585	28,603	1,002	5,030	24,575
Cumulative Capital Development	9,908	2,795	-	12,703	5,875	-	18,578
Community Foundation Grant	5,000	-	5,000	-	-	-	-
LIT - Economic Development (Formerly CEDIT)	51,648	22,718	16,362	58,004	20,919	24,869	54,054
COVID-19 Cares Act Grant	(2,831)	13,961	11,130	-	-	-	-
LIT - Public Safety	24,063	12,312	7,339	29,036	11,300	5,094	35,242
Street Light Renovation	-	56,001	55,360	641	-	-	641
Ball Park Donations	400	-	-	400	120	-	520
Local Road and Bridge Matching Grant	421	95,029	95,450	-	-	-	-
Arp Grant	-	60,507	-	60,507	60,965	-	121,472
MVH Restricted	20,143	11,432	10,000	21,575	11,619	-	33,194
Community Center and Park Rental	10,811	3,060	5,310	8,561	5,440	5,056	8,945
Payroll	(37,852)	171,460	171,460	(37,852)	165,974	165,974	(37,852)
Sewage Utility Operating	39,620	179,679	162,284	57,015	173,556	204,891	25,680
Water Utility Operating	47,944	171,695	163,570	56,069	170,012	184,355	41,726
Water Utility Meter Deposit	5,008	2,550	1,469	6,089	1,950	1,050	6,989
Totals	\$ 396,779	\$ 943,043	\$ 851,713	\$ 488,109	\$ 839,216	\$ 725,986	\$ 601,339

TOWN OF CYNTHIANA
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2023

Fund	Cash and Investments 01-01-23	Receipts	Disbursements	Cash and Investments 12-31-23
General Fund	\$ 164,733	\$ 169,901	\$ 136,565	\$ 198,069
Motor Vehicle Highway	63,911	18,901	8,552	74,260
Local Road and Street	15,579	5,849	4,032	17,396
Rainy Day	21,593	-	2,500	19,093
Opioid Restricted	1,231	276	276	1,231
Opioid Unrestricted	528	94	-	622
Cum Cap Improvement - Cigarette Tax	24,575	1,002	6,190	19,387
Cumulative Capital Development	18,578	4,986	-	23,564
Community Foundation Grant	-	9,711	-	9,711
LIT - Econ Development (Formerly CEDIT)	54,054	21,053	26,996	48,111
LLI - Public Safety	35,242	11,327	4,388	42,181
Street Light Renovation	641	-	-	641
Ball Park Donations	520	-	-	520
Arp Grant	121,472	-	-	121,472
MVH Restricted	33,194	11,886	-	45,080
Community Center and Park Rental	8,945	-	8,945	-
Merchant Acct - CC Payments	-	8,520	8,515	5
Payroll	(37,852)	172,735	172,470	(37,587)
Sewage Utility Operating	25,680	198,598	194,052	30,226
Water Utility Operating	41,726	179,071	202,433	18,364
Water Utility Depreciation	-	4,500	-	4,500
Water Utility Meter Deposit	6,989	1,950	1,830	7,109
Totals	\$ 601,339	\$ 820,360	\$ 777,744	\$ 643,955

Town of Cynthiana

***Office of the Clerk-Treasurer
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Welcome Home

***TOWN COUNCIL
Jeffrey Gee, President
Daniel Rice
Steven Sims***

***CLERK-TREASURER
Cindy Schmitz***

OFFICIAL RESPONSE

May 20, 2024

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

Regarding: Response to 2019 - 2023 Audit Comments

To whom it may concern,

The Town Council and Clerk-Treasurer of the Town of Cynthiana respectfully accept and acknowledge the comments issued by the State Board of Accounts related to the examination of our financial records for the period covering January 1, 2019, through December 31, 2023.

This response is submitted to assure the State Board of Accounts and, more importantly, the taxpayers and residents of Cynthiana that we have reviewed the comments and are developing policies and procedures to ensure that the identified issues will be corrected going forward.

Internal Controls - Annual Financial Report

The Clerk-Treasurer reported the debt on purchasing a Utility Truck by dividing the debt between the three funds, creating the appearance of multiple trucks. This was an error and will not be repeated.

The submitted Debt Report regarding the Street Light Renovation Project included interest paid, which overstated the principal balance due. This will not be repeated.

Further, the Town did not properly report its Capital Assets during the engagement period. We agree that there are several issues with the accounting of our capital assets. We have determined that a professional should be hired to revise and update our capital asset inventory.

Also, the Town is now aware that a physical inventory of all property must be conducted every two years. A physical inventory will be taken this year and scheduled every two years going forward.

The Town omitted the receipt of Cares Act Grant funds in the Grant Report section of the 2021 Annual Financial Report. The Town received and spent a total of \$13,961. Further, the Town spent a portion of the promised funds before receipt. This was an error which will not be repeated.

Approval of Claims

The existing Town Ordinance allows payment of claims in advance of approval by the Town Council if the following two conditions are met: (1) the claim becomes due before the regularly scheduled Town Council meeting, and (2) the claim does not exceed \$300. However, sometimes, the Clerk-Treasurer paid claims exceeding the \$300 threshold. The Council has discussed this and determined that the amount stated is too low and will revise the ordinance.

It was also noted that the Clerk-Treasurer did not sign and/or certify all the claim forms printed. The Clerk-Treasurer understands that it is a requirement that she sign both the claim form and the check when she prepares them.

Several payroll claims selected for testing were not approved by the fiscal agent or Town Council. The Clerk-Treasurer and the Town Council will ensure that the payroll claims are signed to show approval going forward.

Compensation And Benefits

The auditors found that not all employee timecards were signed. The Town agrees that all employee timecards should be approved before payment is issued. The Town will adopt policies to ensure that all appointed employees' timecards are reviewed and signed by their supervisor or by a member of the Town Council before payment.

Additionally, it was noted that some employees are being paid in advance. This is because the last day of each pay period is Thursday, which is also payday. To avoid paying employees in advance, the Clerk-Treasurer has decided that paychecks will be released on Friday.

Contracts

The comments state that the Town did not comply with laws and regulations related to contractual payments made during the engagement period. This comment concerns the award of two paving contracts to complete two separate Community Crossing Grant-funded projects. The contractor provided the Town with a short contract agreeing to perform the work as described in the bid submitted. The Town accepted the agreement to perform the work described in the bid with this contractor. This document was provided to INDOT along with all other project-related documentation. Copies of the awarded bid were provided to the auditor but were not deemed sufficient. The Town now understands that a more formal agreement is required.

Overdrawn Cash Balances

The Payroll Fund has been overdrawn since the 2018 audit. The Clerk-Treasurer will try to determine why this happened and propose strategies to the Town Council to refund the account accurately.

Sincerely,



Jeffrey Gee
Council President