

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

COMPLIANCE ENGAGEMENT REPORT

OF

TOWN OF OOLITIC

LAWRENCE COUNTY, INDIANA

January 1, 2019 to December 31, 2021



FILED

07/09/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jessica Staggs Annette Norrick	01-01-19 to 11-30-20 12-01-20 to 12-31-24
President of the Town Council	Bill Kendall (Vacant) Dirk Sears Tangie Jenkins Brenda Corey	01-01-19 to 06-29-20 06-30-20 to 07-26-20 07-27-20 to 02-22-21 02-23-21 to 12-31-23 01-01-24 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF OOLITIC, LAWRENCE 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 Oolitic (Town), for the period of January 1, 2019 to December 31, 2021. 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 Annette Norrick, Clerk-Treasurer; Brenda Corey, President of the Town Council; Jon Broglin, Vice President of the Town Council; and Carla Hettel, Utilities Clerk, on July 2, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

May 21, 2024

TOWN OF OOLITIC
COMMENTS

INTERNAL CONTROLS

Condition and Context

Internal control deficiencies resulted in noncompliance over the following areas:

- Training on Internal Control Standards
- Certification on Internal Control Standards
- Annual Financial Report
- Motor Vehicle Highway (MVH) - Restricted Fund
- Capital Assets
- Bank Account Reconciliations
- Monthly and Annual Uploads
- Annual Financial Report - Other Information

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. . . ."

TRAINING ON INTERNAL CONTROL STANDARDS

This same comment appeared in a Management Letter addressed to the Town Council for the review period ending December 31, 2018.

Condition and Context

The Clerk-Treasurer, Town Council members, and employees did not receive training on the internal control standards.

Criteria

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

TOWN OF OOLITIC
COMMENTS
(Continued)

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Clerk-Treasurer incorrectly certified on the Indiana Gateway for Government Units financial reporting system that the Town had provided personnel with training on internal control standards for 2019, 2020, and 2021.

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](#)."

ANNUAL FINANCIAL REPORT

Condition and Context

The Town submitted the Annual Financial Report 23 days late for 2020 and 35 days late for 2021.

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](#)."

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

The Town did not create the Motor Vehicle Highway (MVH) Restricted fund as required by state statute and State Examiner Directive 2018-2. Therefore, the Town did not allocate or deposit at least 50 percent of the state distributions from the State Motor Vehicle Highway (MVH) Account, at the time of the receipt, into the MVH Restricted fund for years 2019 through 2021. The amount that should have been receipted into the MVH Restricted fund for the engagement period was \$72,788.

TOWN OF OOLITIC
COMMENTS
(Continued)

Criteria

Indiana Code 8-14-1-5(c) states: "Except as provided in subsection (d), for funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

The purpose of this Directive is to authorize and require counties, cities, and towns that receive distributions from the State Motor Vehicle Highway Account to **create a new sub-fund within the MVH Fund** to properly manage and account for the usage restrictions that were included in House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018.

The sub-fund will be referred to throughout this Directive as "MVH Restricted" and will be used to account for MVH monies which have been statutorily restricted for construction, reconstruction, and preservation purposes. . . .

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted.

(State Examiner Directive 2018-2)

CAPITAL ASSETS

Condition and Context

The Town had not adopted a capital assets policy. A detailed listing of capital assets owned which reflect its acquisition value was not maintained. In addition, the Town had not conducted a physical inventory in the past two years. The Town reported capital assets of \$4,432,703 at December 31, 2021, in the Indiana Gateway for Government Units financial reporting system but had no detailed records to support that amount.

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. 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)

BANK ACCOUNT RECONCILIATIONS

Condition and Context

The monthly bank reconciliations were not prepared timely and contained posting errors and did not reconcile to the funds ledger. In 2022, the Town hired a consultant to help with the reconciliations and numerous posting errors were identified. The following errors were noted on the year-end bank reconciliations:

TOWN OF OOLITIC
COMMENTS
(Continued)

- The depository balance exceeded the ledger balance by \$844 at December 31, 2019.
- The depository balance exceeded the ledger balance by \$2,159 at December 31, 2020.
- The ledger balance exceeded the depository balance by \$244 at December 31, 2021.
- The reconciliation for December 31, 2021, included reconciling items totaling \$63,830. Of this amount, \$17,106 were identified as checks that cleared the bank but were not posted to the ledger. Although reconciling items were identified, no adjustments were made to the ledger to correct the posting errors.
- The July 2021 bank reconciliation was not prepared until September 2022, and the December 2021 bank reconciliation was not prepared until November 2022.

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)

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)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The Town did not upload the following files and governmental unit information that are required to be uploaded monthly:

- Bank reconciliations, bank statements, and outstanding check lists were not uploaded for 2021.
- Approved Town Council minutes were not uploaded for 2021.
- Funds ledger was only uploaded for one month in 2021.

The Town did not upload the following files and government unit information that are required to be uploaded annually for the entire engagement period:

TOWN OF OOLITIC
COMMENTS
(Continued)

- Year-end Investment Statements.
- Detail of Receipts for the year by fund and account (if Data Capture not available).
- Detail of Disbursements for the year by fund and account (if Data Capture not available).
- Current year Salary Ordinance (or Schedule) and Amendments.
- Annual Vendor History Report.
- Annual Payroll History Report, without Social Security numbers.
- Annual Funds Ledger.

Criteria

Beginning with July 2018 files, which will be due September 15, 2018, **all** cities, towns, townships, libraries, and special districts will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit.

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients.

(Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

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)

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

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.

Financial Data

The financial statement contained the following errors:

Receipts and disbursements were understated by \$36,708 and \$300,683, respectively, resulting in a \$263,975 overstatement of the ending cash and investments balance for the year ended December 31, 2021.

Adjustments were proposed, accepted by management, and made to the financial statement presented in this report.

TOWN OF OOLITIC
COMMENTS
(Continued)

Capital Assets

A detailed listing of capital assets was not maintained. As a result, the amount reported as capital assets in the AFR could not be verified. The Town reported capital assets of \$4,432,703 at December 31, 2021.

Grants

The Town did not report any grants in the AFR; however, a federal grant totaling \$125,482 was received in 2021.

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](#)."

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

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

Fund	Cash and Investments			Cash and Investments			Cash and Investments
	01-01-19	Receipts	Disbursements	12-31-19	Receipts	Disbursements	12-31-20
General Fund	\$ 182,386	\$ 249,678	\$ 241,735	\$ 190,329	\$ 246,655	\$ 209,651	\$ 227,333
Mvh	70,760	69,135	50,611	89,284	63,848	53,353	99,779
Local Road And Street	23,091	12,864	-	35,955	12,494	9,000	39,449
Law Enforcement Continuing Ed	4,123	315	295	4,143	1,330	60	5,413
LOIT Special Distribution	13,092	-	-	13,092	-	-	13,092
Community Crossings Grant	-	-	-	-	78,191	78,191	-
Levy Excess Transfer Of Funds	27	-	-	27	-	-	27
Cum Cap Development	23,920	4,769	-	28,689	4,705	10,004	23,390
Cumulative Capital Improvement	13,714	2,705	-	16,419	2,567	-	18,986
Ordinance Violation Penalty Fund	9,752	-	1,704	8,048	-	1,688	6,360
Local Option Income Tax	5,487	14,962	13,806	6,643	16,106	10,918	11,831
Community Grant Foundation	-	5,500	5,500	-	-	-	-
Police Aux Donation Fund	178	-	-	178	-	-	178
Unappropriated Expenses	(48)	48	-	-	-	-	-
Police Donation	454	-	-	454	-	-	454
Payroll	54	260,735	250,237	10,552	269,892	269,946	10,498
Sanitation	10,611	27,922	31,520	7,013	27,963	28,769	6,207
Sewage Debt Service	82,142	80,175	79,613	82,704	80,275	79,725	83,254
Sewer Cash Change	100	-	-	100	-	-	100
Sewer Debt Service Reserve	57,022	9,000	-	66,022	9,000	-	75,022
Sewer Asset Management Reserve	21,545	9,267	-	30,812	9,267	-	40,079
Stormwater Utility	41,863	32,144	33,155	40,852	21,044	3,795	58,101
Wastewater Utility-Operating	115,362	229,491	249,831	95,022	241,038	256,108	79,952
Wastewater Utility-Depreciation/Improvement	2,710	3,000	-	5,710	3,000	3,149	5,561
Water Depreciation	30,190	-	-	30,190	-	1,387	28,803
Water Cash Change	100	-	-	100	-	-	100
Water Utility-Operating	38,487	258,380	236,999	59,868	288,411	222,433	125,846
Water Utility-Customer Deposit	23,895	5,100	3,193	25,802	4,700	3,311	27,191
Totals	<u>\$ 771,017</u>	<u>\$ 1,275,190</u>	<u>\$ 1,198,199</u>	<u>\$ 848,008</u>	<u>\$ 1,380,486</u>	<u>\$ 1,241,488</u>	<u>\$ 987,006</u>

TOWN OF OOLITIC
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2021

Fund	Cash and Investments 01-01-21	Receipts	Disbursements	Cash and Investments 12-31-21
General Fund	\$ 227,333	\$ 282,016	\$ 257,685	\$ 251,664
Mvh	99,780	70,689	83,921	86,548
Local Road And Street	39,449	12,406	374	51,481
IN Land Mark Grant	-	3,000	-	3,000
Law Enforcement Continuing Ed	5,413	710	-	6,123
LOIT Special Distribution	13,092	-	-	13,092
Levy Excess Transfer Of Funds	27	-	27	-
Cum Cap Development	23,390	5,096	680	27,806
Cumulative Capital Improvement	18,986	2,433	-	21,419
ARP Fund Revenue	-	125,482	-	125,482
Ordinance Violation Penalty Fund	6,360	-	500	5,860
Local Option Income Tax (Public Safety)	11,830	17,794	12,305	17,319
Police Aux Donation Fund	178	-	-	178
Police Donation	454	-	-	454
Payroll	10,498	291,494	303,299	(1,307)
Sanitation	6,204	50,544	25,351	31,397
Sewage Debt Service	83,254	80,350	79,813	83,791
Sewer Cash Change	100	-	-	100
Sewer Debt Service Reserve	75,022	9,000	-	84,022
Sewer Asset Management Reserve	40,079	9,267	28,562	20,784
Stormwater Utility	58,102	45,101	7,813	95,390
Wastewater Utility-Operating	79,953	237,545	286,237	31,261
Wastewater Utility-Depreciation/Improvement	5,561	3,000	-	8,561
Water Depreciation	28,804	-	-	28,804
Water Cash Change	100	-	-	100
Water Utility-Operating	125,846	253,633	223,997	155,482
Water Utility-Customer Deposit	27,191	3,860	1,462	29,589
	<u>\$ 987,006</u>	<u>\$ 1,503,420</u>	<u>\$ 1,312,026</u>	<u>\$ 1,178,400</u>
Totals	\$ 987,006	\$ 1,503,420	\$ 1,312,026	\$ 1,178,400