

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF FLORA

CARROLL COUNTY, INDIANA

January 1, 2019 to December 31, 2022



FILED

04/29/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Joretta L. Tinsman Pamela J. Beck	01-01-19 to 12-15-22 12-16-22 to 12-31-24
President of the Town Council	Vince Seward Darrell Yoder	01-01-19 to 12-31-21 01-01-22 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF FLORA, CARROLL COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Flora (Town), for the period from January 1, 2019 to December 31, 2022. 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 Statements Audit Report of the Town, which provides our opinions on the Town's financial statements. 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

February 20, 2024

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TOWN COUNCIL
TOWN OF FLORA

TOWN COUNCIL
TOWN OF FLORA
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

The same comment appeared in the immediately prior Report B53965.

Condition and Context

Town employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the Town, had not received training over internal control standards that were developed or approved by the Indiana State Board of Accounts.

Criteria

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

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

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

TOWN COUNCIL
TOWN OF FLORA
EXIT CONFERENCE

The contents of this report were discussed on February 20, 2024, with Pamela J. Beck, Clerk-Treasurer; Darrell Yoder, President of the Town Council; and Cathi Woodward, Bookkeeper.

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CLERK-TREASURER
TOWN OF FLORA

CLERK-TREASURER
TOWN OF FLORA
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

The same comment appeared in the immediately prior Report B53965, entitled *FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not designed or implemented a system of effective internal controls over receipts and financial close and reporting.

Receipts

The Town had established a system of internal controls over receipts, but it was not properly implemented. One person recorded the receipts, and another person reviewed the recorded receipts; however, there was no consistent review, and material errors were not discovered.

Financial Close and Reporting

The Town had not established effective internal controls over the financial information entered in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Annual Financial Report (AFR) and the financial statements. A third-party entered the information into Gateway, and the Town submitted the AFR without a review or approval process.

Due to the lack of effective internal controls, the AFR presented for audit included the following errors:

- Receipts and disbursements for the Payroll fund were both understated by \$549,158 for 2019. Receipts and disbursements for the Payroll fund were both understated by \$460,813 for 2022.
- Interfund transfers to the Water Operating Fund Cash fund from the Indiana Bond Bank/Huntington fund and the Water 2000 Bond and Interest fund were understated by \$1,733,731 and \$41,120, respectively, for 2019.
- The H.S.A. Fund was incorrectly omitted from the 2019 AFR resulting in an overstatement of the beginning cash and investments balance by \$20,583, and an understatement of receipts, disbursements, and the ending cash and investments balance by \$635,832, \$608,624, and \$6,625, respectively, for 2019.
- Other immaterial errors collectively resulted in an understatement of receipts and disbursements by \$450,006 and \$460,177, respectively, and an overstatement in the ending cash and investments balance by \$10,171 for 2019.
- Immaterial errors collectively resulted in an overstatement of the beginning cash and investments balance by \$5,198, and an understatement of receipts, disbursements, and the ending cash and investments balance by \$652,684, \$645,821, and \$1,665, respectively, for 2020.

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

- Immaterial errors collectively resulted in an understatement of the beginning cash and investments balance, receipts, and disbursements by \$1,665, \$372,017, and \$376,975, respectively, and an overstatement in the ending cash and investments balance by \$3,293 for 2021.
- Immaterial errors collectively resulted in an overstatement of the beginning cash and investments balance by \$3,293, and an understatement of receipts and disbursements by \$500,941 and \$526,356, respectively, and an overstatement in the ending cash and investments balance by \$28,708 for 2022.

Audit adjustments were proposed, accepted by the Town, and made to the financial statements presented in the Financial Statements 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 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](#)."

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

Required Supplementary Information 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 required supplementary information and other information entered by the Town contained numerous errors.

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

- The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis contained the same errors noted in the *INTERNAL CONTROLS* comment previously noted.

Audit adjustments were proposed, accepted by the Town, and made to the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Required Supplementary Information in the Financial Statements Audit Report of the Town.

- The debt information entered into Gateway did not include the Waterworks Revenue Bond 2019, which understated the ending principal balance by \$2,412,666 and understated the principal due within one year by \$47,000 for the year ended December 31, 2021.
- The capital asset information entered into Gateway was omitted for the audit period. The differences could not be determined but are presumed to be material. The Town has opted to not present the Schedule of Capital Assets as Other Information in the Financial Statements Audit Report of the Town.
- The Town could not provide supporting documentation to verify the amounts reported for accounts payable and accounts receivable information entered into Gateway. The differences could not be determined but are presumed to be material. The Town has opted to not present the Schedule of Payables and Receivables as Other Information in the Financial Statements 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 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 - LATE FILING

Condition and Context

The Annual Financial Report for the year ended December 31, 2020, was filed on April 5, 2021. The Annual Financial Report for the year ended December 31, 2021, was filed on April 5, 2022. This was 35 days late for each year.

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](#)."

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

CERTIFICATION ON INTERNAL CONTROL STANDARDS

A similar comment appeared in the immediately prior Report B53965.

Condition and Context

The Town certified on the Indiana Gateway for Government Units financial reporting system that all personnel defined by Indiana Code 5-11-1-27(c) had received training concerning the internal control standards adopted by the Town; however, during the engagement, the Clerk-Treasurer indicated that all personnel had not received training concerning the internal control standards. Therefore, the certification was incorrect.

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](#)."

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The files and governmental unit information that were required to be uploaded monthly into the Indiana Gateway for Government Units (Gateway) financial reporting system, included bank reconciliements, bank statements, approved Town Council minutes, and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

Annual upload requirements included the year-end bank statement, year-end outstanding check list, year-end investments, detail of receipt activity, detail of disbursement activity, current year salary ordinance, and an annual vendor history report.

The Town had not complied with the State Examiner Directive and failed to upload any of the monthly bank statements into Gateway for the audit period.

The Town had not complied with the State Examiner Directive and failed to upload any of the annual year-end investment statements, detail of receipts and disbursements for the year, current year Salary Ordinance (with exception of 2020), annual vendor history report, annual payroll report, and the annual funds ledger summarizing year to date total receipts and disbursements, and beginning and ending balances by fund (with exception of 2020) on Gateway for the audit period.

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. (State Examiner Directive 2018-1)

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

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)

CAPITAL ASSETS

Condition and Context

The Town did not have a capital assets policy that details the threshold at which an item is considered a capital asset. The Town did not have a complete detailed listing of all capital assets owned which reflects their acquisition value. The Town did not perform an inventory of assets 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)

FUND SOURCES AND USES

Condition and Context

Receipts were not always recorded into the correct funds. There were multiple errors with the State and Local Distributions during the audit period being recorded to the proper fund. The total of all of these positing errors for the audit period is summarized below.

Fund Posted to	Fund	Amount
General Fund	Cum Capital Development Fund	\$ 1,166
General Fund	Cum Sewer Fund	1,743
General Fund	Motor Vehicle Highway Fund	485
Motor Vehicle Highway Fund	Cum Capital Improvement Cig-Tax	2,157
Motor Vehicle Highway Fund	General Fund	4,658
Motor Vehicle Highway Fund	Local Roads and Streets Fund	6,887
Cum Sewer Fund	Cum Capital Development Fund	281
Cum Sewer Fund	General Fund	13,381
Cum Sewer Fund	Motor Vehicle Highway Fund	132
Motor Vehicle Highway Fund	Cum Capital Development Fund	61
Motor Vehicle Highway Fund	Cum Sewer Fund	97

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

Criteria

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ERRORS ON CLAIMS

Condition and Context

Claims created from the H.S.A Fund were not being approved by the Town Council.

Criteria

Indiana Code 5-11-10-1.6(c) states in part:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . .

- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

TIMELY RECORDING

Condition and Context

Receipts recorded to the ledger were not always timely. The December 2021 receipt for Local Roads and Streets, Motor Vehicle Highway, Cigarette Tax Dist-Gen, and Cigarette Tax Dist-CCIF distributions were not recorded in the ledger until January 6, 2022.

The Economic Development Income Tax funds for November and December 2020 were not recorded in the ledger until February 24, 2021. The January and February 2021 Local Income Tax and Economic Development Income Tax distributions were not recorded in the ledger until March 5, 2021. The December 2021 and January and February 2022 Economic Development Income Tax was not recorded until March 2022.

Criteria

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)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

Starting on January 1, 2019, the Town was required to create a Motor Vehicle Highway Restricted sub-fund, that would be used exclusively for the construction, reconstruction, and preservation of the Town's highways and shown separately on the Annual Financial Report.

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

The Town had not created a new sub-fund Motor Vehicle Highway Restricted Fund as required by the State Examiner Directive during the audit period.

Criteria

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. . . . MVH and MVH Restricted will be shown separately on the Annual Financial Report and Annual Operational Report. . . . (State Examiner Directive 2018-2)

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)

CLERK-TREASURER
TOWN OF FLORA
EXIT CONFERENCE

The contents of this report were discussed on February 20, 2024, with Pamela J. Beck, Clerk-Treasurer; Darrell Yoder, President of Town Council; and Cathi Woodward, Bookkeeper.