

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF HAMILTON

STEBEN COUNTY, INDIANA

January 1, 2019 to December 31, 2022



FILED

06/06/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Hester Stouder Jenna Steigerwald	01-01-19 to 02-06-23 02-07-23 to 12-31-24
President of the Town Council	Mary Vail	01-01-19 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF HAMILTON, STEUBEN COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Hamilton (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

April 24, 2024

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CLERK-TREASURER
TOWN OF HAMILTON

CLERK-TREASURER
TOWN OF HAMILTON
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

A similar comment appeared in prior Report B55020, entitled *INTERNAL CONTROLS*.

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to cash and investments, receipts, disbursements, and financial close and reporting.

Cash and Investments

The Town had not designed or implemented a system of internal controls, which would include appropriate segregation of duties that would likely be effective in preventing, or detecting and correcting, errors related to cash and investments, including bank reconciliations, to ensure the accuracy and completeness of the ledgers.

Bank reconciliations were performed by the former Clerk-Treasurer without an oversight, approval, or review process in place to ensure the accuracy of the cash and investment balances. The former Clerk-Treasurer did not provide the Town Council with copies of the monthly bank reconciliation or fund statements.

Receipts

The Town had not established a system of internal control or separated incompatible activities related to receipts that would have ensured that receipts were recorded accurately.

The Deputy Clerk-Treasurer collected cash, wrote receipts, prepared the deposits, took the deposits to the bank, and posted the receipts in the records without an oversight, review, or approval process in place to ensure the accuracy of the receipts. Neither fund reports nor appropriation reports were provided to the Town Council for their review.

Vendor Disbursements

The former Clerk-Treasurer was responsible for processing vendor checks, signing checks, and inputting disbursements into the accounting software. There were no internal controls in place, such as an oversight, review, or approval process. Listings of claims were presented at Town Council meetings and signed by the Town Council members; however, those signed listings were not available for audit. Neither fund reports nor appropriation reports were provided to the Town Council for their review.

Financial Close and Reporting

The Town had not designed or implemented a system of internal controls, which would include appropriate segregation of duties that would likely be effective in preventing, or detecting and correcting, errors related to financial reporting.

The former Clerk-Treasurer entered and submitted financial information into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Reports (AFRs) and financial statements, without a proper system of internal controls in place to prevent, or detect and correct, errors on the AFRs and financial statements. The lack of internal controls allowed a material misstatement in the financial statement as reported in the comment titled *ANNUAL FINANCIAL REPORTS*.

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

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. . . ."

CONDITION OF RECORDS

Condition and Context

The Town's accounting software was highly manipulable. No internal controls within the software existed to prevent intentional or unintentional changes to data entries. All changes made within the system could be completed without creating an audit trail.

All disbursements (claims) are required to have adequate supporting documentation prior to payment. Claims that did not contain adequate supporting documentation amounted to over \$748,000 in expenditures. Many of the claims were for utility payments, transfers, credit card vendors, and other vendors labeled on the disbursement ledger as 'MISC.' After efforts from the field examiner, Town Manager, and current Clerk-Treasurer, the number of claims that did not contain adequate supporting documentation was lowered to \$150,000. Of the remaining \$150,000, the former Clerk-Treasurer, with the help of the current Clerk-Treasurer, was able to locate the remainder of the supporting documentation required to support the claims; however, the amount of effort to find supporting documentation expanded over many months and added significant audit costs.

Criteria

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Audit costs incurred because of poor records, nonexistent records, or any other inadequate book-keeping practices, or because of theft or a shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

PENALTIES, INTEREST, AND OTHER CHARGES

Condition and Context

The Town did not pay claims in a timely fashion resulting in some vendors charging the Town penalties and late fees. During the audit period, at least 185 disbursements (claims) were paid after their due date, resulting in the Town being charged late fees, penalties, interest, and other charges. Late fees, penalties, and interest paid to vendors by the Town were \$25,227.08. The former Clerk-Treasurer reimbursed \$1,570.07, leaving a balance of \$23,657.01.

Vendor	Type	Amount of Penalties and Interest
Indiana Department of Revenue	Sales Tax Collected P&I	\$ 4,357.08
Indiana Department of Revenue	Indiana Utility Receipts Tax	619.70
Indiana Department of Revenue	Payroll Withholding Tax	1,187.78
Internal Revenue Service	Federal Payroll Withholding Tax	6,425.76
Auto Parts Vendors	Late Payments	104.37
Credit Card Vendors	Late Payments	5,767.67
Propane Vendors	Late Payments	77.81
Utilities Vendors	Late Payments	<u>6,686.91</u>
Total Penalties and Interest Paid		<u><u>\$ 25,227.08</u></u>

Criteria

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

We requested the former Clerk-Treasurer, Hester Stouder, to reimburse the Town in the amount of \$23,657.01 for penalties, interest, and other charges. (See Summary of Charges, page 25)

SALES TAX PAID

Condition and Context

During the audit period, sales tax was paid on at least 69 claims that should have been sales tax exempt. Sales tax was paid in the amount of \$4,133.85 for sales tax exempt purchases for the audit period.

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

Payment Type	Amount of Sales Tax Paid to Vendors
CPR Unit	\$ 1,065.98
Fire Supplies	42.53
Garage Door Opener	49.33
Medical Supplies	357.00
Office Supplies	444.63
Printing Service	78.41
Utilities	2,095.97
 Total Sales Tax Paid	 \$ 4,133.85

Criteria

Sales taxes that are paid on qualifying purchases by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

We requested the former Clerk-Treasurer, Hester Stouder, to reimburse the Town in the amount of \$4,133.85 for sales tax paid on purchases. (See Summary of Charges, page 25)

EMPLOYEE BENEFITS PAID

Condition and Context

During the audit period, 17 disbursements were paid in the amount of \$4,000.92, for health, life, vision, and dental insurance premiums for employees after they had separated employment from the Town. The Town's personnel policy states benefits end at separation. The Town Council did not approve an extension of benefits for the separated employees.

Criteria

All types of employee benefits must be detailed in a written policy. Payments for expenses not authorized in a written policy cannot be allowed. (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 Cities and Towns, Chapter 1)

We requested the former Clerk-Treasurer, Hester Stouder, to reimburse the Town in the amount of \$4,000.92 for Other Charges. (See Summary of Charges, page 25)

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

UTILITY RECEIPTS TAX

Disbursements in the amount of \$8,476.82 were paid to the Indiana Department of Revenue for Utility Receipts Taxes for payments made in October 2022 and January 2023. There is no documentation for these disbursements other than EFT forms. The Utility Receipts Tax was discontinued effective July 1, 2022. The Indiana State Board of Accounts directed the current Clerk-Treasurer to contact the Indiana Department of Revenue and request a review of the Town's Utility Receipts Tax account. The current Clerk-Treasurer contacted the Indiana Department of Revenue to review the Town's account for a possible refund. The Town was reimbursed by the Indiana Department of Revenue for Utility Receipts Taxes in the amount of \$8,195.40. The \$281.42 difference between the amount paid and refunded were penalties and interest and is included in the Penalties, Interest, and Other Charges comment above.

Criteria

Indiana Code 8-1-2-4.2 states in part:

"(a) This section applies to a utility that is subject to the:

- (1) utility receipts tax under [IC 6-2.3](#); and
- (2) jurisdiction of the commission for the approval of rates and charges;

on January 1, 2022.

(b) Not later than May 1, 2022, a utility shall file with the commission a rate adjustment that adjusts the utility's rates and charges to reflect the repeal of the utility receipts tax ([IC 6-2.3](#), before its repeal) in HEA 1002-2022 by the general assembly, independent of any other matters related to the utility's revenue requirement. A rate adjustment approved under this section shall operate on a prospective basis. . . ."

Indiana Code 8-1-2-4.3 states in part:

"(a) This section applies to a utility that is:

- (1) subject to the utility receipts tax under [IC 6-2.3](#); and
- (2) not under the jurisdiction of the commission for the approval of rates and charges;

on January 1, 2022.

(b) A utility shall adjust the utility's rates and charges to reflect the repeal of the utility receipts tax ([IC 6-2.3](#), before its repeal) in HEA 1002-2022 by the general assembly. A rate or charge adjustment under this section shall operate on a prospective basis. . . ."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF HAMILTON
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)

ADDITIONAL AUDIT COSTS

Condition and Context

The State of Indiana incurred additional audit costs due to the former Clerk-Treasurer paying late fees, penalties, and interest; sales tax on exempt purchases; other questioned costs; and items discussed in the *CONDITION OF RECORDS* comment. Town receipts, disbursements, and bank reconciliations were not prepared timely. Several documents necessary to support the Town's financial records were not available for audit. The additional audit time resulted in additional audit costs of \$51,000 to the Town.

Criteria

Audit costs incurred because of poor records, nonexistent records, or any other inadequate book-keeping practices, or because of theft or a shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

We requested the former Clerk-Treasurer, Hester Stouder, to reimburse the State of Indiana for additional audit costs in the amount of \$51,000. (See Summary of Charges, page 25)

ERRORS ON CLAIMS

Condition and Context

The Indiana State Board of Accounts reviewed at least 954 claims. Of those 954 claims reviewed, 637 claims contained errors. Error on claims have been noted as follows:

1. Several claims (accounts payable vouchers) paid did not have a fully itemized bill or invoice attached to the accounts payable voucher.
2. Several accounts payable vouchers were not approved by the officer or person receiving the goods and services.
3. Invoiced amounts differed from amounts paid.
4. The former Clerk-Treasurer did not certify before payment that the invoice or bill is true and correct.
5. Individual claims were not presented at the Town Council meeting for the Town Council members' review.

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

6. A listing of claims was presented at Town Council meetings and signed by the Town Council members; however, those signed listings were not available for audit.
7. At least 102 disbursements were Electronic Funds Transfers or Telepayments with no supporting documentation for the payments.

Criteria

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

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

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (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. . . ."

ADVANCE PAYMENTS

Condition and Context

During the audit period, the Town's health insurance vendor and the Water Utility vendor for water plant management were paid quarterly for the current month and in advance two months. Additionally, several claims were paid twice resulting in overpayments or advance payments to vendors. The vendors either returned the double payment or applied it to the Town's account.

Criteria

Compensation and any other payments for goods and services must not be paid in advance of receipt 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)

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

ANNUAL FINANCIAL REPORTS

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 (Gateway) financial reporting system. The Town had not established effective internal controls over the AFR information entered into Gateway, which resulted in the following errors:

Financial Statements

The following errors were identified in the financial statements:

1. General fund disbursements for the year 2021 were understated by \$35,244, overstating the December 31, 2021 and December 31, 2022 cash balance by \$35,244.
2. Cumulative Capital Development fund disbursements for the year 2021 were understated by \$53,281, overstating the December 31, 2021 and December 31, 2022 cash balance by \$53,281.
3. Park and Recreation Non-Revert fund disbursements for the year 2021 were overstated by \$45,820, understating the December 31, 2021 and December 31, 2022 cash balance by \$45,820.
4. C.E.D.I.T. Comm Econ Dev In Tx fund disbursements for the year 2021 were overstated by \$53,282, understating the December 31, 2021 and December 31, 2022 cash balance by \$53,282.
5. Cumulative Capital Improvement fund disbursements for the year 2021 were understated by \$4,075, overstating the December 31, 2021 and December 31, 2022 cash balance by \$4,075.
6. Fire Department fund disbursements for the year 2021 were understated by \$12,229, overstating the December 31, 2021 and December 31, 2022 cash balance by \$12,299.
7. During the year 2022, the Town's Water Utility issued Waterworks Refunding Revenue Bonds in the amount of \$1,000,000. Of this total Revenue Bond, \$962,365 was used to retire the outstanding bonds. The remaining amount was receipted into the Town's Water Utility Bond Sinking fund for bond issuance costs. This activity was not properly reported in the Gateway submission.
8. Additionally, the errors noted above also occurred in the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis.

Audit adjustments were proposed, accepted by the Town, and made to the financial statements and 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.

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

Schedule of Capital Assets

The Town prepared and submitted the capital assets information into Gateway as of December 31, 2019, 2020, 2021, and 2022. However, the Town did not maintain appropriate detailed capital asset records to determine the accuracy of the information. The Town approved the omission of the Schedule of Capital Assets from the Financial Statements Audit Report.

Schedule of Payables and Receivables

The Town reported payables and receivables at year end, but no supporting documentation was provided for audit to support the payables and receivables. The Town approved the omission of the Schedule of Payables and Receivables from the Financial Statements Audit Report.

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](#)."

BANK ACCOUNT RECONCILIATIONS

Condition and Context

There were 24 months that the bank reconciliation was not completed within 30 days at month end. The July 2021 bank reconciliation wasn't completed until January 25, 2022.

For 35 months during the audit period, the Town's financial records did not reconcile with their depository accounts. For the months that did not reconcile to the Town records, the reconciliations listed an item called reconciliation error (unidentified amount). At December 31, 2019, the depository balances exceeded the record balances creating a cash long of \$620. At December 31, 2021, the record balances exceeded the depository balances creating a cash short of \$134,820. At December 31, 2022, the record balances exceeded the depository balances creating a cash short of \$30,130.

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)

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

CREDIT CARDS

Condition and Context

During the audit period, claims to the credit card company were paid on the basis of a statement. Supporting documentation such as cash register receipts, invoices, or paid bills, were not available to substantiate the amounts paid on the credit card statements. At least 53 claims were paid after the due date. The claims paid after the due date included late fees and interest. See the Schedule of Penalties, Interest, and Late Fees Paid for a detailed listing.

Criteria

The SBOA will not take exception to the use of credit cards by a unit provided the following criteria are observed:

1. The governing body must authorize credit card use through an ordinance /resolution, which has been approved in a meeting and documented in the minutes.
2. Issuance and use should be handled by an official or employee designated by the governing body.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Credit cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee may be the personal obligation of the responsible officer or employee.
8. If authorized, an annual fee may be paid.

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

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

ACCOUNTING OF THE IFA ADMINISTERED CRF MONEY

Condition and Context

The Town did not properly account for the Coronavirus Relief Fund (CRF) in accordance with State Examiner Directive 2020-3 (Directive).

The Town did not properly establish a separate CARES grant fund for the CRF grant that followed the uniform chart of accounts. The Town utilized fund 101 entitled, General, for reimbursements received from the Indiana Finance Authority (IFA).

Criteria

Each local unit of government that receives an allocation from the Coronavirus Relief Fund administered by IFA shall establish a separate CARES grant fund with a fund number consistent with memorandum *Accounting and Appropriation of COVID-19 Grants, April 29, 2020 (updated September 29, 2020)*.

All Reimbursements received from IFA shall be receipted into a separate CARES grant fund that is specific to IFA reimbursements. . . .

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options.

Option One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and re-appropriate the general fund (or other 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 general fund (or other 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.

Once option one is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

Option Two. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

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

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020. . . .**

Transactions for other permitted costs reimbursed by IFA must be accounted for through one of the following prescribed frameworks.

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 reappropriate 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.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

Framework Two. If IFA has provided reimbursement based on unpaid invoices or purchase orders, then reimbursements received from IFA shall be receipted into the separate CARES grant fund. The expenditures to vendors will be made through the CARES grant fund and these expenditures must match the application made to IFA. If the actual invoice or invoices relating to a purchase order is less than the purchase order, then the difference in the money expended to the vendor and the amount received for the purchase order from IFA must be returned to IFA. The items on the invoice must match the items on the purchase order. All documentation must be maintained.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

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.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund.**

(State Examiner Directive 2020-3)

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

CAPITAL ASSETS

Condition and Context

The unit did not properly maintain a complete detailed inventory of capital assets owned. Capital asset additions and deletions have not been recorded on the capital asset ledger form for numerous years. The Town did not complete a physical inventory at least every two years.

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)

CHART OF ACCOUNTS

Condition and Context

The Town did not follow the prescribed chart of accounts. The Town used incorrect fund numbers and/or names for its General fund, Special Revenue funds, Debt Service funds, Capital Projects funds, Permanent funds, and Proprietary funds.

Criteria

The following prescribed fund names are required by statute or are currently in use by municipalities pursuant to annual reports filed with the State Board of Accounts. Further funds will be added as required. Fund numbers shall be used as listed. Numbers include fund type, for instance (2)01, etc. . . . (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 3)

BOARD MINUTES DEFICIENCIES

Condition and Context

The minutes of the December 5, 2022 and the December 19, 2022 Town Council meetings were not signed nor filed in the Town's Minutes Binder (Book). The Town Council minutes for the May 2, 2022 meeting were missing. Four months of Town Council minutes of the Town Council meetings were dated the wrong date. Most of the Town Council minutes uploaded to the Indiana Gateway for Government Units financial reporting system were not uploaded timely nor were they signed by the Town Council and Clerk-Treasurer.

Criteria

Indiana Code 5-14-1.5-4 states in part:

". . . (b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.

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

- (3) The general substance of all matters proposed, discussed, or decided.
 - (4) A record of all votes taken by individual members if there is a roll call.
 - (5) Any additional information required under section 3.5 or 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication.
- (c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The files and governmental unit information that are required to be uploaded monthly include the bank statements and reconciliations, approved Town Council minutes and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

Annual upload requirements include the year-end Investment statements, detail of receipt activity, detail of disbursement activity, current year salary ordinance, and an annual vendor history report.

The Town did not comply with the State Examiner Directive and failed to upload all monthly files and all annual files for the audit period on the Indiana Gateway for Government Units financial reporting system.

Criteria

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.

A user guide for the Engagement Uploads is available and located at: <https://gateway.ifionline.org/userguides/engagementguide> **It is pertinent that this user guide be used in conjunction with this Directive.** It provides critical information to you that will help guide you to uploading the correct documents.

(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)

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

OFFICIAL BOND NOT RECORDED

Condition and Context

The Town did not file its official bonds with the County Recorder as required by Indiana Code. The Town had an official bond as shown in the table below:

Official Bond	
Period	Amount
01-01-19 to 12-31-19	\$ 60,000
01-01-20 to 12-31-20	60,000
01-01-21 to 12-31-21	60,000
01-01-22 to 12-31-22	60,000

Criteria

Indiana Code 5-4-1-5.1(b) states in part:

"Every elected or appointed officer, official, deputy, employee, or contractor of a political subdivision . . . shall file the bond with the fiscal officer of the political subdivision and in the office of the county recorder in the county of office or employment of the officer, official, deputy, employee, or contractor. The county recorder and deputies and employees of the recorder shall file their bonds with the county auditor and in the office of the clerk of the circuit court."

J. DANIEL BRINKERHOFF

TOWN OF HAMILTON

TOWN ATTORNEY

101 N. Randolph Street, P.O. Box 269

Garrett, Indiana 46738

Phone 260-357-5111

Fax: (260) 577-7075

J. Daniel Brinkerhoff

J. Darrick Brinkerhoff

brinkandbrink.com

May 2, 2024

Indiana State Board of Accounts
302 W. Washington Street
Indianapolis, IN 46204

Dear Sirs:

Re: Supplemental Compliance Report Tow of Hamilton, Steuben County
Indiana. January 1, 2019 to December 31, 2022.

At your request, we, the Members of the Town Council through the Town Attorney are submitting this response to the referenced Compliance Report.

Beginning in 2021, the Town Manager and the then Deputy Clerk-Treasurer (now Clerk-Treasurer) began contacting the Town Council regarding bills from vendors, suppliers, et cetera, being paid untimely by the former Clerk-Treasurer.

The Town Council President then visited with several of those business and suppliers and based on those conversations, became very concerned about how the former Clerk-Treasurer was fulfilling her duties in general and not paying bills on time in specific.

The then Deputy Clerk-Treasurer also informed the Council President that the former Clerk-Treasurer had not reconciled the Town books with bank statements for several months. This information started calls and emails to the State Board of Accounts.

During 2021, there were multiple conversations with the former Clerk-Treasurer by the Town Council President regarding the timely execution of her work and duties. There was considerable push back the former Clerk-Treasurer.

In 2022 the Council was concerned to the point that contact was then made again to the State Board of Accounts and the Town Attorney. The following is a time line of some of the steps taken by the Town Council:

January 17, 2022

Council President called the Town Attorney to discuss the former Clerk-Treasurer. The former Clerk-Treasurer had not closed out the books at the end of any month since June of 2021.

January 18, 2022

The Council President called the former Clerk-Treasurer to which there was no reply or response.

January 19, 2022

The Council President met with Town Manager and the Town Attorney to discuss the former Clerk-Treasurer and her failure to perform her duties.

January 20, 2022

The Town Council President emailed the State Board of Accounts expressing the Town's concerns with the former Clerk-Treasurer.

January 24, 2022

The Council President was called by a representative of the State Board of Accounts and the representative was briefed on the issues with the former Clerk-Treasurer.

January 26, 2022

The Council President again called the former Clerk-Treasurer's office, again there was no reply or response.

February 9, 2022

The Council President met with the Town Manager and the Town Attorney to continue discussions on the former Clerk-Treasurer on her failure to carry out her duties.

February 11, 2022

The Council President received an email from a representative of the State Board of Accounts following up on the Town's concerns regarding the former Clerk-Treasurer.

March 30, 2022

The Council President met with the Town Manager and the Town Attorney regarding the former Clerk-Treasurer.

May, 2022

The Council President met with several Town vendors, namely: Carper Koepp Insurance, Ace Hardware, Hamilton Village Foods, Deb Oberlin, Town Attorney Regarding late payment of invoices.

September 20, 2022

The former Clerk-Treasurer missed paying the payroll to the Town employees, this was the 3rd time that payroll was late during the former Clerk-Treasurer's term.

October 17, 2022

The Council President had a lengthy conversation with the representative of the State Board of Accounts regarding the Clerk-Treasurer.

October 22, 2022

A meeting with the Town Manager and the State Board of Accounts.

October 24, 2022

The Council held an executive session to discuss the former Clerk-Treasurer and her failure to carry out her duties properly.

October 25, 2022

The Council President had a telephone conversation with the Town Manager and the Town Attorney regarding retaining a former representative of the State Board of the Accounts to examine the books and records of the Town based upon the issues that have previously discovered.

October 26, 2022

There was a meeting with the retained former representative of the State Board of Accounts, the Town Manager and the Town Attorney at the Attorney's office where the representative of the State Board of Accounts was completely briefed on the issues with the former Clerk-Treasurer.

*To: Indiana State Board of Accounts
May 2, 2024
Page 3*

February 1, 2023

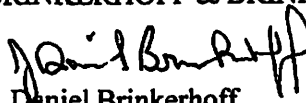
The Council President met with representatives of the State Board of Accounts concerning the former Clerk-Treasurer.

Thereafter, the former representative of the State Board of Accounts and representatives of the State Board of Accounts began the audit and examination of the books and records of the Town.

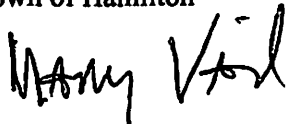
Finally, the former Clerk-Treasurer resigned effective February 6, 2023.

This letter does not detail all of the emails, text, and conversations with the issues of the former Clerk-Treasurer.

Sincerely,
BRINKERHOFF & BRINKERHOFF, PC


J. Daniel Brinkerhoff

Town of Hamilton


Mary Vail, Town Council President.

JDB/slm
Enclosure

CLERK-TREASURER
TOWN OF HAMILTON
EXIT CONFERENCE

The contents of this report were discussed on April 24, 2024, with Jenna Steigerwald, Clerk-Treasurer, and Mary Vail, President of the Town Council.

The contents of this report were discussed on May 2, 2024, with Hester Stouder, former Clerk-Treasurer.

TOWN OF HAMILTON
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Hester Stouder, former Clerk-Treasurer			
Penalties, Interest, and Other Charges, page 8	\$ 25,227.08	\$ 1,570.07	\$ 23,657.01
Sales Tax Paid, pages 8 and 9	4,133.85	-	4,133.85
Employee Benefits Paid, page 9	4,000.92	-	4,000.92
Utility Receipts Tax, pages 10 and 11	8,195.40	8,195.40	-
Additional Audit Costs, page 11	<u>51,000.00</u>	<u>-</u>	<u>51,000.00</u>
Totals	<u>\$ 92,557.25</u>	<u>\$ 9,765.47</u>	<u>\$ 82,791.78</u>

This report was forwarded to the Office of the Indiana Attorney General and the local prosecuting attorney.

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AFFIDAVIT

STATE OF INDIANA)
)
DeKalb COUNTY)

We, Bill Akey and Nathan Kuhn, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Town of Hamilton, Steuben County, Indiana, for the period from January 1, 2019 to December 31, 2022, is true and correct to the best of our knowledge and belief.

Bill Akey

Nathan Kuhn
Field Examiners

Subscribed and sworn to before me this 5th day of June, 2024.

Carla J Alford
Notary Public

My Commission Expires: 1/13/2030

County of Residence: Allen

