

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

COMPLIANCE ENGAGEMENT REPORT

OF

TOWN OF ULEN

BOONE COUNTY, INDIANA

January 1, 2019 to December 31, 2022



FILED

07/02/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cindy Barker	01-01-19 to 05-01-19
	Annette Jones	05-02-19 to 12-31-19
	Mark Ransom	01-01-20 to 12-31-22
	Mary Ann Hery	01-01-23 to 12-31-24
President of the Town Council	Steve Lewis	01-01-19 to 12-31-22
	Mark Ransom	01-01-23 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF ULEN, BOONE 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 Ulen (Town), for the period of January 1, 2019 to December 31, 2022. 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 Mark Ransom, President of the Town Council, and Mary Ann Herry, Clerk-Treasurer, on May 31, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

May 15, 2024

TOWN OF ULEN
COMMENTS

BANK ACCOUNT RECONCILIATIONS

Condition and Context

Internal controls were not in place to ensure monthly bank reconciliations were performed. The Town did not perform monthly bank reconciliations of the fund balances to the bank account at any time during the engagement period. During 2023, the Clerk-Treasurer performed reconciliations for all months of the engagement period. As of December 31, 2022, there was an unidentified variance of \$2,014 on the reconciliation for which an explanation could not be given.

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."

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 - LATE SUBMISSIONS AND BEGINNING / ENDING BALANCES

Condition and Context

Internal controls were not in place to ensure the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system was submitted timely and accurately. The AFR for 2019, 2020, and 2021 were submitted 56 days, 88 days, and 47 days late, respectively.

The AFR for 2020, 2021, and 2022 included the following errors:

2020:

- General Fund beginning balance understated by \$1,297.
- Motor Vehicle Highway beginning balance understated by \$196.
- Public Safety beginning balance understated by \$288.

TOWN OF ULEN
COMMENTS
(Continued)

2021:

- General beginning balance understated by \$7,977.
- Motor Vehicle Highway beginning balance understated by \$4,637.
- Local Road And Street beginning balance understated by \$2,331.
- Cumulative Capl Imprv Cigarette Tax beginning balance understated by \$5,170.
- Public Safety beginning balance understated by \$8,491.

2022:

- General beginning balance overstated by \$51,280.
- Motor Vehicle Highway beginning balance understated by \$10,877.
- Local Road And Street beginning balance understated by \$2,331.
- Cumulative Capl Imprv Cigarette Tax beginning balance understated by \$61,914.
- Public Safety beginning balance understated by \$5,298.

Corrections were made to the AFR and are reflected in the Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis included below.

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](#)."

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)

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

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TOWN OF ULEN
COMMENTS
(Continued)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

Internal controls were not in place to ensure the Town was in compliance with Indiana Code and State Examiner Directive 2018-2. Starting on January 1, 2019, the Town was required to create a Motor Vehicle Highway (MVH) restricted sub-fund that would be used exclusively for the construction, reconstruction, and preservation of the Town's highways and shown separately in the Annual Financial Report (AFR) and Annual Operations Report.

The Town did not create the Motor Vehicle Highway (MVH) Restricted fund for 2019, 2020, 2021, or 2022 as required; therefore, the Town did not post 50 percent of the State MVH distribution to a MVH Restricted fund. The Town should have posted the following amounts to the MVH Restricted fund:

- 2019 - \$2,518
- 2020 - \$2,221
- 2021 - \$2,454
- 2022 - \$2,433

Criteria

Indiana Code 8-14-1-5(c) states in part: "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)

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TOWN OF ULEN
COMMENTS
(Continued)

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CONTRACTS

Condition and Context

Internal controls were not in place to ensure services paid with the Towns funds were supported by a contract. There were 19 of the 51 disbursements tested during the audit period in which vendors were paid for services performed and a contract was not available.

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 Towns, Chapter 1)

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CAPITAL ASSETS

Condition and Context

Internal controls were not in place to ensure the Town was in compliance with capital asset requirements. As of December 31, 2022, the Town had not adopted a capital assets policy with a threshold, the Town did not have a detailed capital asset listing, nor had the Town taken a physical inventory of capital assets during the engagement period.

TOWN OF ULEN
COMMENTS
(Continued)

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)

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100R - CERTIFIED REPORT FILED AFTER DUE DATE

Condition and Context

Internal controls were not in place to ensure the Town filed a Certified Report of Names, Addresses, Duties, and Compensation of Public Employees (Form 100R) with the Indiana State Board of Accounts timely. The report was filed late for the years 2019, 2020, and 2021 by 3 days, 38 days, and 31 days, respectively.

Criteria

Indiana Code 5-11-13-1(b) states:

"Each audited entity shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of the officers, employees, and agents of the audited entity. The report shall indicate the respective duties and compensation of each officer, employee, and agent of the audited entity. The audited entity shall file the report in the office of the state examiner of the state board of accounts. The report must also indicate whether the political subdivision offers a health plan, a pension, and other benefits to full-time and part-time employees. However, no more than one (1) report covering the same officers, employees, and agents need be made from the state or any county, city, town, township, or school unit in any one year. The certification must be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

TOWN OF ULEN
COMMENTS
(Continued)

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MONTHLY AND ANNUAL UPLOADS

Condition and Context

Internal controls were not in place to ensure compliance with State Examiner Directive 2018-1 (amended). The files and governmental unit information that are required to be uploaded monthly include the bank reconciliations, approved Town Council Board minutes, and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

Annual upload requirements include 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 did not comply with the State Examiner Directive and failed to upload all the monthly and annual files during the audit period within the Indiana Gateway for Government Units financial reporting system.

Criteria

. . . The upload of December 2020 monthly files will be due February 15, 2021, and by the 15th of each month thereafter unless the State Board of Accounts (SBOA) establishes a different date. This is effective for 2020 annual files which will be due for upload March 1, 2021, for calendar year end units. . . .

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)

TOWN OF ULEN
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)

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

TOWN OF ULEN
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	\$ 217,868	\$ 105,335	\$ 32,811	\$ 290,392	\$ 109,629	\$ 51,508	\$ 348,513
Motor Vehicle Highway	33,960	5,036	-	38,996	4,441	-	43,437
Local Road And Street	26,391	107,327	125,059	8,659	2,330	-	10,989
Rainy Day	118,371	-	117,354	1,017	-	-	1,017
LOIT Special Distribution	15,883	-	-	15,883	-	-	15,883
Cumulative Capital Development Fund	55,199	5,209	-	60,408	5,170	-	65,578
Public Safety	43,431	22,335	36,596	29,170	26,858	18,656	37,372
Totals	<u>\$ 511,103</u>	<u>\$ 245,242</u>	<u>\$ 311,820</u>	<u>\$ 444,525</u>	<u>\$ 148,428</u>	<u>\$ 70,164</u>	<u>\$ 522,789</u>

TOWN OF ULEN
 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	\$ 348,514	\$ 110,518	\$ 352,841	\$ 106,191	\$ 87,374	\$ 119,582	\$ 73,983
Motor Vehicle Highway	43,437	4,909	-	48,346	4,867	5,173	48,040
Local Road And Street	10,989	2,589	-	13,578	2,493	-	16,071
Rainy Day	1,017	-	-	1,017	-	-	1,017
LOIT Special Distribution	15,883	-	-	15,883	-	-	15,883
Opioid Distribution	-	-	-	-	22	-	22
Cumulative Capital Development Fund	65,577	5,079	-	70,656	3,193	-	73,849
Public Safety	<u>37,372</u>	<u>24,638</u>	<u>-</u>	<u>62,010</u>	<u>21,528</u>	<u>40,181</u>	<u>43,357</u>
Totals	<u>\$ 522,789</u>	<u>\$ 147,733</u>	<u>\$ 352,841</u>	<u>\$ 317,681</u>	<u>\$ 119,477</u>	<u>\$ 164,936</u>	<u>\$ 272,222</u>