

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

**Paul D. Joyce, CPA
State Examiner**

COMPLIANCE ENGAGEMENT REPORT

OF

TOWN OF HARMONY

CLAY COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED
01/07/2025

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Compliance Report	3-4
Comments	5-8
Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis.....	10-11

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Donna J. Mullinix	01-01-20 to 12-31-24
President of the Town Council	O. Janice Gooch (deceased)	01-01-20 to 11-30-23
	Leslee McDonald	12-01-23 to 12-31-24



Paul D. Joyce, CPA
State Examiner

INDIANA STATE BOARD OF ACCOUNTS

302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769
Telephone: (317) 232-2513
Fax: (317) 232-4711
www.in.gov/sboa

TO: THE OFFICIALS OF THE TOWN OF HARMONY, CLAY 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 Harmony (Town), for the period of January 1, 2020 to December 31, 2023. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the Town as this engagement was not conducted in accordance with any standards established by an authoritative standard setting body, and, as such, we do not provide any opinions on compliance or financial activity.

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

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

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

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

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

The contents of this report were communicated to Donna J. Mullinix, Clerk-Treasurer, and Leslee McDonald, President of the Town Council, on December 17, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

November 19, 2024

TOWN OF HARMONY
COMMENTS

COMPENSATION AND BENEFITS

Condition and Context

Due to a lack of internal controls, the Clerk-Treasurer was not paid in accordance with the salary ordinance in 2022 and 2023. The Clerk-Treasurer received an extra \$3,600 for handling rentals of the Harmony Community Center which was included in the 2020 and 2021 salary ordinance. The President of the Town Council received \$6,500 for taking care of the necessary affairs of the Town rather than the \$4,500 stated in the 2021 salary ordinance.

Criteria

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

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

Due to a lack of internal controls, the Town did not report its capital assets information in the Annual Financial Report via the Indiana Gateway for Government Units financial reporting system.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

TOWN OF HARMONY
COMMENTS
(Continued)

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

Condition and Context

Due to a lack of internal controls, 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."

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. . . .

TOWN OF HARMONY
COMMENTS
(Continued)

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. . . ."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

Due to a lack of internal controls, the Town incorrectly certified on the Annual Financial Report for 2020, 2021, 2022, and 2023 filed via the Indiana Gateway for Government Units financial reporting system that it had provided appropriate personnel training on the minimum internal control standards.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

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. . . ."

ADVANCED PAYMENTS

Condition and Context

Due to a lack of internal controls, the Clerk-Treasurer, Deputy Clerk-Treasurer, and Town Council members were paid in advance of services completed for all four years of the audit period. Per the salary ordinance, the Town Council members and Deputy Clerk-Treasurer were to be paid semiannually for services January through June and July through December. The Town Council members and Deputy Clerk-Treasurer were paid prior to June 30 and December 31 each year. Per the salary ordinance, the Clerk-Treasurer was to be paid at the end of the month. The Clerk-Treasurer was paid prior to the last day of each month.

TOWN OF HARMONY
COMMENTS
(Continued)

Criteria

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

Indiana Code 5-7-3-1(a) states: "Public officers may not draw or receive their salaries in advance."

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. . . ."

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

TOWN OF HARMONY
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2020 and 2021

Fund	Cash and Investments			Cash and Investments			Cash and Investments
	01-01-20	Receipts	Disbursements	12-31-20	Receipts	Disbursements	
General	\$ 105,696	\$ 105,917	\$ 104,508	\$ 107,105	\$ 111,488	\$ 113,467	\$ 105,126
Motor Vehicle Highway	132,137	20,983	23,745	129,375	14,087	24,262	119,200
Local Road and Street	25,450	5,136	10,000	20,586	5,711	10,000	16,297
Local Law Enforcement Continuing Education Fund	1,813	320	-	2,133	175	-	2,308
Riverboat	28,188	3,886	1,311	30,763	3,882	5,667	28,978
Park Nonreverting Operating	13,524	-	5,000	8,524	11,840	1,042	19,322
Rainy Day	7,875	-	-	7,875	-	344	7,531
Levy Excess	1	-	-	1	-	-	1
Cumulative Capital Improvement - Cigarette Tax	9,671	1,422	5,600	5,493	1,692	6,500	685
Cumulative Capital Development	81,672	5,811	36,000	51,483	15,453	22,858	44,078
LIT Public Safety	25,560	11,503	13,695	23,368	13,757	13,855	23,270
IFA COVID-19 CARES	-	8,470	7,156	1,314	973	2,287	-
ARP GRANT FUND	-	-	-	-	72,360	-	72,360
MVH Restricted	14,558	12,764	-	27,322	21,974	-	49,296
DONATION - TORNADO SIREN	1,158	-	-	1,158	-	-	1,158
COMMUNITY CENTER BUILDING	41,846	5,575	568	46,853	7,925	513	54,265
LOCAL ROAD&BRIDGE MATCHI	-	237,024	235,709	1,315	167,520	167,520	1,315
LOIT Special Distribution	1,000	-	-	1,000	-	-	1,000
COMM CENTER DEP FUND	(250)	5,225	6,365	(1,390)	6,650	6,750	(1,490)
STORM WATER MAINT	48,540	20,577	15,510	53,607	16,529	7,163	62,973
Totals	<u>\$ 538,439</u>	<u>\$ 444,613</u>	<u>\$ 465,167</u>	<u>\$ 517,885</u>	<u>\$ 472,016</u>	<u>\$ 382,228</u>	<u>\$ 607,673</u>

TOWN OF HARMONY
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2022 and 2023

Fund	Cash and Investments			Cash and Investments			Cash and Investments
	01-01-22	Receipts	Disbursements	12-31-22	Receipts	Disbursements	
General	\$ 105,126	\$ 94,191	\$ 115,896	\$ 83,421	\$ 118,978	\$ 129,838	\$ 72,561
Motor Vehicle Highway	119,202	22,773	60,082	81,893	22,178	20,907	83,164
Local Road and Street	16,298	6,025	10,000	12,323	6,264	1,450	17,137
Local Law Enforcement Continuing Education Fund	2,308	-	-	2,308	-	-	2,308
Riverboat	28,978	3,760	19,200	13,538	3,807	9,361	7,984
Park Nonreverting Operating	19,323	5,050	20,000	4,373	5,700	5,227	4,846
Rainy Day	7,531	-	3,900	3,631	-	3,500	131
OPIOID RESTRICTED SETTLEMENT	-	1,636	-	1,636	367	367	1,636
OPIOID UNRESTRICTED SETTLEMENT	-	701	-	701	125	-	826
Levy Excess	1	-	-	1	-	1	-
Cumulative Capital Improvement - Cigarette Tax	685	1,559	774	1,470	1,229	-	2,699
Cumulative Capital Development	44,079	27,049	16,500	54,628	30,334	96	84,866
LIT Public Safety	23,270	11,901	13,125	22,046	12,454	14,864	19,636
ARP GRANT FUND	72,360	72,908	-	145,268	-	88,991	56,277
MVH Restricted	49,296	14,151	-	63,447	17,058	-	80,505
DONATION - TORNADO SIREN	1,158	-	-	1,158	-	-	1,158
COMMUNITY CENTER BUILDING	54,265	8,375	1,296	61,344	9,550	1,615	69,279
LOCAL ROAD&BRIDGE MATCHI	1,315	138,537	138,483	1,369	-	1,020	349
LOIT Special Distribution	1,000	-	-	1,000	-	-	1,000
COMM CENTER DEP FUND	(1,490)	7,175	7,525	(1,840)	8,250	8,700	(2,290)
STORM WATER MAINT	62,972	12,363	11,287	64,048	17,081	12,907	68,222
Totals	<u>\$ 607,677</u>	<u>\$ 428,154</u>	<u>\$ 418,068</u>	<u>\$ 617,763</u>	<u>\$ 253,375</u>	<u>\$ 298,844</u>	<u>\$ 572,294</u>