

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

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF EARL PARK

BENTON COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED
01/31/2025

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|-------------------|----------------------|
| Clerk-Treasurer | Kristen Hardebeck | 01-01-20 to 12-31-25 |
| President of the Town Council | Phillip McGinnis | 01-01-20 to 12-31-20 |
| | Marty Lewis | 01-01-21 to 12-31-23 |
| | Jeff Strasburger | 01-01-24 to 12-31-25 |



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INDIANA STATE BOARD OF ACCOUNTS

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INDIANAPOLIS, INDIANA 46204-2769
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TO: THE OFFICIALS OF THE TOWN OF EARL PARK, BENTON COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Earl Park (Town), for the period from January 1, 2020 to December 31, 2023. 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 Statement Audit Report of the Town, which provides our opinions on the Town's financial statement. 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

January 15, 2025



CLERK-TREASURER
TOWN OF EARL PARK

CLERK-TREASURER
TOWN OF EARL PARK
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

The same comment also appeared in prior Report B54959, entitled *FINANCIAL TRANSACTIONS*.

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions. The Town had not separated incompatible activities related to the receipts area of the financial statements. A separation of duties had not been designed or implemented to prevent, or detect and correct, errors.

The Clerk-Treasurer issued the official receipts, recorded the receipts to the computerized accounting system, prepared the bank deposits, and completed the bank reconcilements. The Town Council did provide oversight of monthly fund reports; however, a documented oversight or review process at the receipt transaction level was not designed or implemented to prevent, or detect and correct, errors.

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. . . ."

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Reports B43404, B48905, and B54959.

Condition and Context

The Town did not have adequate internal controls in place to ensure cash balances were not overdrawn. The Town's Sanitation fund had \$17,696, \$19,075, \$22,708, and \$26,588 overdrawn cash balances at December 31, 2020, 2021, 2022, and 2023, respectively.

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF EARL PARK
AUDIT RESULTS AND 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:

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FUND SOURCES AND USES

Condition and Context

The Town did not have adequate internal controls in place to ensure receipts were properly recorded in the financial records. The following errors were identified:

- The December 2022 Certified Shares Supplement LIT tax distribution was receipted into the CEDIT fund. The amount misclassified was \$1,471.
- The June 2020 Cigarette Tax Distribution - CCIF was receipted into the General Fund. The amount misclassified was \$369.
- The January 2020 MVH Restricted Tax Distribution was receipted into the Motor Vehicle Highway fund. The amount misclassified was \$573.
- The June 2022 Cigarette Tax Distributions - General was receipted into the CCIF fund. The amount misclassified was \$89.
- The May 2022 MVH Restricted Tax Distributions was receipted into the Motor Vehicle Highway fund. The amount misclassified was \$743.
- The August 2023 Local Unrestricted Opioid Settlement tax distribution had a portion receipted into the Opioid Settlement Restricted fund. The amount misclassified was \$77.

The total amount misclassified was \$3,322.

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)

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

CLERK-TREASURER
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AUDIT RESULTS AND COMMENTS
(Continued)

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ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

The Town did not have adequate internal controls in place to ensure information reported in the Annual Financial Report (AFR) was accurate. Financial, supplemental, and other information are required to be entered annually into the AFR via the Indiana Gateway for Government Units financial reporting system. The Town's capital asset ledger did not support the amounts reported in the AFR for capital assets. Water Buildings was overstated by \$91,743 and Machinery, Equipment, and Vehicles was overstated by \$824,760 at December 31, 2023.

Criteria

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

"The state examiner shall require from every audited entity financial report 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](#)."

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CLERK-TREASURER
TOWN OF EARL PARK
EXIT CONFERENCE

The contents of this report were discussed on January 15, 2025, with Kristen Hardebeck, Clerk-Treasurer, and Jeff Strasburger, President of the Town Council.



TOWN COUNCIL
TOWN OF EARL PARK

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AUDIT RESULTS AND COMMENTS

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