

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

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

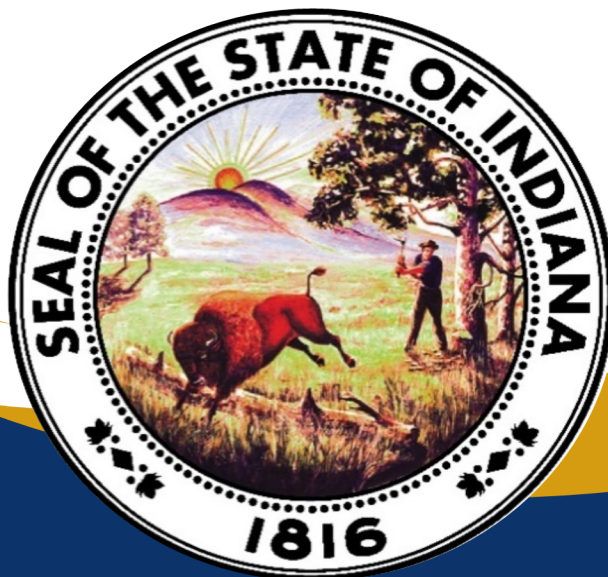
SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ELBERFELD

WARRICK COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED

12/16/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mandy Kirsch Stacey Kruse	01-01-20 to 10-01-20 10-02-20 to 12-31-24
President of the Town Council	Marty Walters	01-01-20 to 12-31-24



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INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE TOWN OF ELBERFELD, WARRICK COUNTY, INDIANA

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

November 25, 2024



CLERK-TREASURER
TOWN OF ELBERFELD

CLERK-TREASURER
TOWN OF ELBERFELD
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS - FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in prior Reports B53902, B54001, and B55601, entitled *INTERNAL CONTROLS*.

Condition and Context

There were deficiencies in the Town's internal control system related to financial transactions and reporting. The failure to establish a proper system of internal controls enabled material errors in the form of misstatements to occur and remain undetected and uncorrected.

Control Environment

The Town did not have formal standards, processes, and structures in place to adequately form a proper internal control environment that would have dictated the Town's overall system of internal controls. Accordingly, governance and management could not properly convey leadership expectations or provide an overall accountability structure.

Risk Assessment

The Town did not have a process to identify and assess internal and external risks to the achievement of objectives and then establish risk tolerances. Accordingly, there was no basis for determining how risk would be managed.

Monitoring Activities

The Town did not conduct ongoing or periodic evaluations of its internal control system. As such, the Town had no means by which to determine whether each of the five components of internal control was present and functioning, or to make changes to existing policies and procedures as necessary.

IT Environment and General Computer Controls

The Town did not follow its policy of assigning unique logins to different users of Town software. The Utility Clerk did not have access to the payroll system but was required to process payroll in the Clerk-Treasurer's absence. The Utility Clerk utilized the Clerk-Treasurer's login credentials to access the payroll system when required. This deficiency was determined to affect the Control Activities component in internal control, specifically related to payroll disbursements.

Control Activities

Utility Receipts

The Town utilized a third-party to process online utility payments. The Town ran monthly reports from its utility billing software which were reconciled to reports from the third-party. There was no evidence that these reconciliations were reviewed during the audit period.

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

Financial Close and Reporting

The was no evidence of an oversight, review, or approval process during 2020 or 2021 over the information entered in the Annual Financial Report (AFR), which was the source of the Town's financial statement. The Town provided evidence of review of the AFRs for 2022 and 2023, but it was not effective as it did not detect and allow for correction of errors prior to submission. Due to the lack of an effective internal control system, the financial statements contained the following errors:

Fund	Years	Beginning Balance Differences	Receipt Differences	Disbursement Differences	Ending Balance Differences
WASTEWATER ESCROW-IMPROVEMENT	2020	\$ 54,364	\$ 547	\$ -	\$ 54,911
Total adjustments		<u>\$ 54,364</u>	<u>\$ 547</u>	<u>\$ -</u>	<u>\$ 54,911</u>
WASTEWATER ESCROW-IMPROVEMENT	2021	\$ 54,911	\$ -	\$ -	\$ 54,911
COVID GRANT REIMBURSEMENT FOR SALARIES	2021	-	21,153	21,153	-
OCRA COVID 19 PHASE 3 GRANT	2021	-	250,000	250,000	-
ARP CORONAVIRUS LOCAL FISCAL RECOVERY FUND	2021	-	74,053	-	74,053
Total adjustments		<u>\$ 54,911</u>	<u>\$ 345,206</u>	<u>\$ 271,153</u>	<u>\$ 128,964</u>
WASTEWATER ESCROW-IMPROVEMENT	2022	\$ 54,911	\$ -	\$ -	\$ 54,911
MOTOR VEHICLE HIGHWAY	2022	-	(12,291)	(2,495)	(9,796)
MVH RESTRICTED	2022	-	12,291	2,495	9,796
ARP CORONAVIRUS LOCAL FISCAL RECOVERY FUND ***	2022	-	-	-	-
Total adjustments		<u>\$ 54,911</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,911</u>
WASTEWATER ESCROW-IMPROVEMENT	2023	\$ 54,911	\$ -	\$ -	\$ 54,911
MOTOR VEHICLE HIGHWAY	2023	-	(13,868)	(20,000)	6,132
MVH RESTRICTED	2023	-	13,868	20,000	(6,132)
Total adjustments		<u>\$ 54,911</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,911</u>

*** Beginning Balance Difference is \$0 as Town adjusted the AFR balance

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 Other Information in the Financial Statements Audit Report of the Town.

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:

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

"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. . . ."

INTERNAL CONTROLS OVER COMPLIANCE

Condition and Context

Deficiencies in the Town's system of internal controls resulted in noncompliance with laws, regulations, and uniform compliance guidelines. Noncompliance over the Customer Deposit Register, capital assets, and MVH Restricted Fund occurred as detailed further in the comments below.

Criteria

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CUSTOMER DEPOSIT REGISTER

The same comment also appeared in prior Reports B29846, B38253, B41033, B46818, B53902, B54001, and B55601.

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

Condition and Context

The detailed customer deposit register did not reconcile with the ending cash and investments balance of the Water Utility Meter Deposit fund throughout the audit period. The ending fund balance exceeded the amount reflected in the deposit register by \$4,171, \$5,088, \$10,334, and \$2,109 at December 31, 2020, 2021, 2022, and 2023, respectively.

Criteria

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)

CAPITAL ASSETS

A similar comment also appeared in prior Reports B38253, B41033, B46818, B53902, B54001, and B55601, entitled *CAPITAL ASSET RECORDS*.

Condition and Context

The Town did not maintain a detailed listing of all capital assets owned or conduct a complete physical inventory every two years as required. The Town reported \$11,293,150 in total capital assets in the Capital Asset Schedule in its 2023 Annual Financial Report submitted via the Indiana Gateway for Government Units financial reporting system, which could not be verified for accuracy due to the lack of a detailed listing.

The financial reporting framework utilized by the Town includes the option to present a Schedule of Capital Assets as Other Information in the Financial Statements Audit Report of the Town. The Town has elected not to present this schedule.

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)

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](#)."

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

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

A similar comment also appeared in prior Report B55601, entitled *MOTOR VEHICLE HIGHWAY RESTRICTED*.

Condition and Context

The Town did not establish the MVH Restricted sub-fund until 2022 and did not report the MVH Restricted sub-fund separately in the financial statements presented for audit for 2022 and 2023. Additionally, because the sub-fund was not established until 2022, the Town did not allocate 50 percent of funds from the State Motor Vehicle Highway Account to the MVH Restricted fund at the time of receipt during 2020 or 2021. The total of \$26,154 should have been allocated to the MVH Restricted fund during those years.

Criteria

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

CLERK-TREASURER
TOWN OF ELBERFELD
EXIT CONFERENCE

The contents of this report were discussed on November 25, 2024, with Stacey Kruse, Clerk-Treasurer; Marty Walters, President of the Town Council; and Tracee Matthews, Town Council member.