

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF HEBRON

PORTER COUNTY, INDIANA

January 1, 2022 to December 31, 2023



FILED

11/04/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jamie Uzelac	01-01-22 to 12-31-24
President of the Town Council	Dave Peeler John Spinks, Jr.	01-01-22 to 12-31-22 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 HEBRON, PORTER COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Hebron (Town), for the period from January 1, 2022 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

October 21, 2024

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CLERK-TREASURER
TOWN OF HEBRON

CLERK-TREASURER
TOWN OF HEBRON
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

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 did not have a system of internal controls over the preparation of the AFR entered into Gateway. The AFR was submitted without evidence of an oversight or review process to ensure the accuracy and completeness of the financial and other information submitted.

Due to the lack of internal controls, the AFR information entered into Gateway included the following errors:

Grants

- Several state grants were reported as federal grants that resulted in misstatements of total grant expenditures of \$440,993 and \$397,545 as of December 31, 2022 and 2023, respectively.
- Other errors included incorrect program names.

Audit adjustments were proposed, accepted by the Town, and made to the grant schedule in Gateway.

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. . . ."

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

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](#)."

OVERDRAWN CASH BALANCES

Condition and Context

The Town did not have a system of internal controls over the overdrawn cash balances. The financial statement included the Police OPO Grants fund with overdrawn cash and investment balances at December 31, 2022 and 2023, in the amount of \$5,458 and \$7,156, respectively. This grant fund operated on a reimbursement basis. Reimbursement grants required the Town to expend funds and subsequently request reimbursements on a timely basis. The Police OPO Grants fund ended in 2023, and no further reimbursements were expected.

The Police OPO Grants fund also contained payroll expenditures and reimbursements in 2023 and subsequently in 2024 associated with a similar grant for which the Town was a local liaison. The associated grant was the Comprehensive Highway Injury Reduction Program or CHIRP. Therefore, the payroll expenditures and reimbursement for the CHIRP grant should have been recorded in the Comprehensive Highway Injury Reduction Program grant fund and not in the Police OPO Grants fund.

Criteria

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

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)

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)

ELECTED OFFICIAL COMPENSATION

Condition and Context

Internal control deficiencies resulted in noncompliance over elected official compensation. The Town Council adopted the 2022 Salary Ordinance on January 18, 2022, which included elected officials' compensation. On February 15, 2022, the Town Council adopted an amendment to the 2022 Salary Ordinance which granted the Clerk-Treasurer a salary increase of \$162 per pay period.

Beginning March 4, 2022, the Clerk-Treasurer began receiving the additional compensation for the remaining pay periods in 2022, resulting in an additional compensation of \$3,554 for the year. The additional compensation was not permissible per Indiana Code 36-5-3-2(c).

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:

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Indiana Code 36-5-3-2(c) states: "The compensation of an elected town officer may not be changed in the year for which it is fixed, nor may it be reduced below the amount fixed for the previous year."

CLERK-TREASUER
TOWN OF HEBRON
EXIT CONFERENCE

The contents of this report were discussed on October 21, 2024, with Jamie Uzelac, Clerk-Treasurer; John Spinks, Jr., President of the Town Council; Justin Albright, Town Council member; Tammy Gridinich, Town Council member; Susan Alyea, Consultant; and Joshua Noel, Police Chief.

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TOWN COUNCIL
TOWN OF HEBRON

TOWN COUNCIL
TOWN OF HEBRON
AUDIT RESULT AND COMMENT

UTILITY REGULATORY COMMISSION

Condition and Context

There were deficiencies in the internal control system of the Town related to the Utility Regulatory Commission required responsibilities.

The Town established a Utility Regulatory Commission in accordance with Indiana Code 8-1.5-3-4 in 1989. Per Town Code 66.31, the membership of the Utility Regulatory Commission consists of the Town Council members, whose term on the Utility Regulatory Commission coincides with their term as a member of the Town Council. The responsibilities of the Utility Regulatory Commission include, but not limited to, fix the compensation of employees, submitting a budget of its financial needs to the next year in the detail required by the municipal legislative body, recommendation to the legislative body reasonable and just rates and charges for services to the patrons of each utility, and making monthly reports to the fiscal officer of the receipts and disbursements of money belonging to each utility and an annual report of the condition of the utility.

The Utility Regulatory Commission did not meet as a Board to exercise its powers and duties to operate the utilities in accordance with Indiana Code 8-1.5-3-4. Instead, the Town Council acted during its meetings for all Town services, including the utilities.

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:

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Indiana Code 8-1.5-3-4 states in part:

"(a) The board has general supervisory powers over the utilities under its control, with responsibility for the detailed supervision of each utility to be vested in its superintendent, who is responsible to the board for the business and technical operation of the utility. The board shall:

- (1) fix the number and compensation of employees;
- (2) adopt rules governing the appointment of employees including making proper classifications and rules to:

TOWN COUNCIL
TOWN OF HEBRON
AUDIT RESULT AND COMMENT
(Continued)

- (A) determine the eligibility of applicants;
 - (B) determine by competitive examination the relative fitness of applicants for positions;
 - (C) establish eligible lists arranged according to the ratings secured;
 - (D) provide for the appointment of those having the highest ratings; and
 - (E) provide for the promotion of employees;
- (3) subject to [IC 36-4-9-2](#), appoint a superintendent or manager of each utility under its control who is responsible to the board for the business and technical operation of the utility; the board shall make the appointment on the basis of fitness to manage the particular utility to which he is to be assigned, taking into account his executive ability and his knowledge of the utility industry;
 - (4) subject to [IC 36-4-9-12](#), hire attorneys when required for the operation of the utility;
 - (5) hire professional or expert personnel when required for the operation of the utility;
 - (6) submit a budget of its financial needs for the next year in the detail required by the municipal legislative body;
 - (7) recommend to the legislative body reasonable and just rates and charges for services to the patrons of each utility;
 - (8) appropriate, lease, rent, purchase, and hold all real and personal property of the utility;
 - (9) enter upon lands for the purpose of surveying or examining the land to determine the location of any plant or appurtenances;
 - (10) award contracts for:
 - (A) the purchase of capital equipment;
 - (B) the construction of capital improvements; or
 - (C) other property or purposes that are necessary for the full and efficient construction, management, and operation of each utility;
 - (11) adopt rules for the safe, economical, and efficient management and protection of each utility;
 - (12) deposit at least weekly with the municipal fiscal officer all money collected from each utility to be kept in a separate fund subject to the order of the board; and
 - (13) make monthly reports to the fiscal officer of the receipts and disbursements of money belonging to each utility and an annual report of the condition of the utility.
- (b) The board may purchase by contract electricity, water, gas, power, or any other commodity or service for the purpose of furnishing the commodity or service to the patrons of the municipally owned utility or to the municipality itself. . . ."

TOWN COUNCIL
TOWN OF HEBRON
EXIT CONFERENCE

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