

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

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

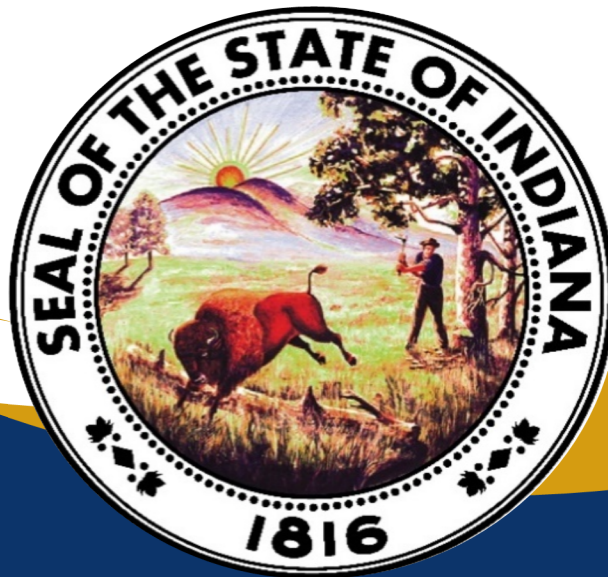
SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF CHESTERTON

PORTER COUNTY, INDIANA

January 1, 2022 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	Courtney Udvard	01-01-22 to 12-31-24
President of the Town Council	Jennifer Fisher Dane Lafata James G. Ton	01-01-22 to 12-31-22 01-01-23 to 12-31-23 01-01-24 to 12-31-24
Utility Office Manager	David E. Ryan	01-01-22 to 12-31-24



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INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE TOWN OF CHESTERTON, PORTER COUNTY, INDIANA

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

November 27, 2024



CLERK-TREASURER
TOWN OF CHESTERTON

CLERK-TREASURER
TOWN OF CHESTERTON
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

A similar comment also appeared in prior Report B45748, entitled *FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING*; and Reports B50149, B56210, and B60191, entitled *INTERNAL CONTROLS*.

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions. The Town did not have effective internal controls in place to ensure accuracy and compliance over cash and investments.

The Town had implemented internal control procedures over bank reconciliations; however, the internal controls were determined to not be effective in ensuring the accuracy and completeness of the bank reconciliations. Effective internal control procedures were not in place to ensure that all bank accounts were reconciled and that adjusting items were reconciled timely and properly supported.

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. . . .

BANK ACCOUNT RECONCILIATIONS

The same comment appeared in prior Reports B56210 and B60191.

Condition and Context

In reviewing the bank reconciliations provided, we noted the following issues:

- Bank reconciliations were completed; however, the cash and investment balance used at the time the reconciliation was completed did not agree to the year-end cash and investment ledger balance or the financial statement reported balance.

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

- The Health Insurance bank account reconciliation included a reconciling item in the amount of \$274,262, entitled "Miscellaneous old entries never reconciled in the past," for which supporting documentation was not provided for audit to verify the validity of the adjusting item.
- The Wastewater Utility bank reconciliation included \$263,814 of reconciling items entitled "deposit in transit" with some dating back to 2013 that have not been researched and timely reconciled. These items were outstanding as of August 31, 2024.
- The Town did not complete reconciliements for six of its investment accounts which held a total account balance of \$6,045,340 as of December 31, 2022, and \$6,264,320 as of December 31, 2023.

At December 31, 2023, the record balance was determined to be greater than the adjusted bank balance by \$399,640 after removing the unsupported items from the Health Insurance and Wastewater Utility bank reconciliements. The financial statement was not adjusted for these variances.

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."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (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)

ANNUAL FINANCIAL REPORT

A similar comment also appeared in prior Report B60191, entitled *ANNUAL FINANCIAL REPORT - OTHER INFORMATION*.

Condition and Context

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Governmental Units financial reporting system. The Town submitted the AFR without evidence of an oversight or review process to ensure the accuracy and completeness of the information submitted.

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

Payables and Receivables

At December 31, 2023, the Town had amounts that were either owed to vendors and not yet paid, or collections from customers not yet received. Those amounts were to be reported in the AFR as accounts payable or accounts receivable, respectively. The Town did not maintain a detailed listing of accounts payable and receivable and did not report any payables and receivables in the AFR. The financial reporting framework utilized by the Town includes the option to present a Schedule of Payables and Receivables as Other Information in the Financial Statement Audit Report of the Town. The Town has elected not present this schedule.

Investment Fund Statement

The Town did not report \$6,475,850 of investments in the AFR on its Investment Fund Statement as of December 31, 2023.

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 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 CHESTERTON
EXIT CONFERENCE

The contents of this report were discussed on November 27, 2024, with Courtney Udvardi, Clerk-Treasurer, and James G. Ton, President of the Town Council.