

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

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

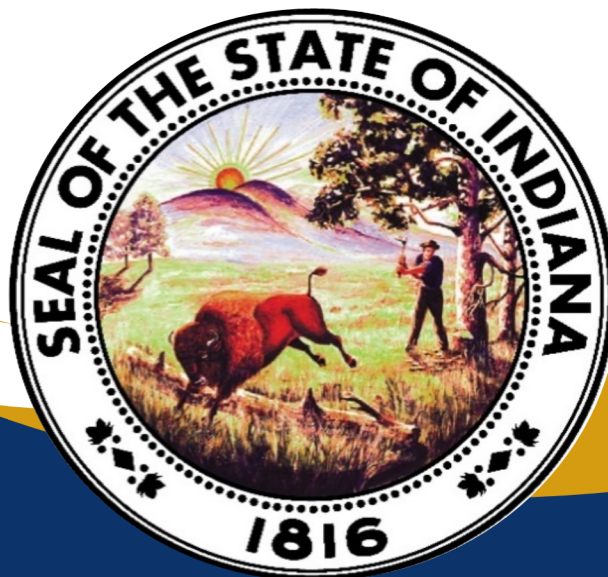
SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF LIZTON

HENDRICKS COUNTY, INDIANA

January 1, 2022 to December 31, 2023



**FILED**

12/10/2024



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Nicole Kish	01-01-22 to 12-31-24
President of the Town Council	Lisé K. Crouch	01-01-22 to 12-31-22
	Robert Uhrick	01-01-23 to 12-31-23
	Robert Fisher	01-01-24 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  
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TO: THE OFFICIALS OF THE TOWN OF LIZTON, HENDRICKS COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Lizton (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/](http://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 21, 2024



CLERK-TREASURER  
TOWN OF LIZTON

CLERK-TREASURER  
TOWN OF LIZTON  
AUDIT RESULTS AND COMMENTS

**OVERDRAWN CASH BALANCES**

The same comment also appeared in prior Report B59422.

*Condition and Context*

Internal controls were not established to ensure that there were no funds with overdrawn cash balances at year end. The Payroll90100105110120 fund cash balance was overdrawn \$3,116 and \$2,749 at December 31, 2022 and 2023, respectively.

Stormwater Grant Fund cash balance was overdrawn \$592 at both December 31, 2022 and 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:

"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. . . ."

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)

**CAPITAL ASSETS**

The same comment also appeared in prior Report B59422.

*Condition and Context*

Internal controls over capital assets were insufficient to ensure that the Town complied with requirements related to capital assets. The capital asset information entered into the Indiana Gateway for Government Units financial reporting system could not be verified because the Town was unable to provide a completed capital asset listing to support the values reported for infrastructure, buildings, improvements other than buildings, machinery, and equipment in the amount of \$8,856,236 and \$8,721,187 in 2022 and 2023, respectively. A physical inventory was not performed at least every two years.

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

*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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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. . . ."

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)

**INTERNAL CONTROLS**

A similar comment also appeared in prior Report B52564 and B59422, entitled *INTERNAL CONTROLS*.

*Condition and Context*

There was a deficiency in the internal control system of the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to financial close and reporting. The failure to establish an effective system of internal controls could have enabled material misstatements to occur and to remain undetected.

*Financial Close and Reporting*

The Clerk-Treasurer was responsible for inputting information and submitting the Annual Financial Report to the Indiana Gateway for Government Units financial reporting system, which was the source of the Town's financial statement. There was no evidence of an oversight, review, or approval process to ensure the accuracy of the financial information prior to submission.

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

*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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**MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND**

A similar comment also appeared in prior Report B59422, entitled *MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND*.

*Condition and Context*

Internal controls had not been properly designed to ensure that the correct allocation of the State MVH distributions had been made. Effective January 1, 2019, the State Examiner Directive 2018-2 established that 50 percent of State Motor Vehicle Highway (MVH) distributions shall be maintained in a Motor Vehicle Highway - Restricted fund to be allocated for construction, reconstruction, and preservation of the Town's highways.

The Town did not allocate at least 50 percent of the State Motor Vehicle Highway (MVH) distribution to the MVH Restricted fund. The entire distributions were recorded in the MVH fund from January to May in 2022, resulting in receipts being overstated by \$4,751 in the MVH fund and an understatement in the MVH Restricted fund.

*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 LIZTON  
AUDIT RESULTS AND COMMENTS  
(Continued)

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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 LIZTON  
EXIT CONFERENCE

The contents of this report were discussed on November 21, 2024, with Nicole Kish, Clerk-Treasurer; Robert Fisher, President of the Town Council; and Jerrod Hall, Financial Consultant of the Town.