

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF FLORA

CARROLL COUNTY, INDIANA

January 1, 2019 to December 31, 2019



**FILED**  
06/12/2024



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SCHEDULE OF OFFICIALS

| <u>Office</u>                    | <u>Official</u>                      | <u>Term</u>                                  |
|----------------------------------|--------------------------------------|--|
| Clerk-Treasurer                  | Joretta L. Tinsman<br>Pamela J. Beck | 01-01-19 to 12-15-22<br>12-16-22 to 12-31-24 |
| President of the<br>Town Council | Vince Seward<br>Darrell Yoder        | 01-01-19 to 12-31-21<br>01-01-22 to 12-31-24 |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF FLORA, CARROLL COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Flora (Town), for the period from January 1, 2019 to December 31, 2019. 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

May 2, 2024

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TOWN COUNCIL  
TOWN OF FLORA

TOWN COUNCIL  
TOWN OF FLORA  
AUDIT RESULT AND COMMENT

**TRAINING ON INTERNAL CONTROL STANDARDS**

The same comment appeared in the immediate prior Report B53965.

*Condition and Context*

Town employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the Town had not received training over internal control standards that were developed or approved by the Indiana State Board of Accounts.

*Criteria*

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

TOWN COUNCIL  
TOWN OF FLORA  
EXIT CONFERENCE

The contents of this report were discussed on May 2, 2024, with Pamela J. Beck, Clerk-Treasurer, and Darrell Yoder, President of the Town Council.

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CLERK-TREASURER  
TOWN OF FLORA

CLERK-TREASURER  
TOWN OF FLORA  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

The same comment appeared in the immediate prior Report B53965, entitled *FINANCIAL TRANSACTIONS AND REPORTING*.

*Condition and Context*

A proper system of internal controls, which would include appropriate segregation of duties, should be designed and implemented at varying points within a process to effectively prevent, or detect and correct, errors.

*Financial Close and Reporting*

The Town is required to file financial reports after the close of each calendar year. The reports are to be filed electronically as prescribed.

The Town filed its reports as prescribed; however, the Town had not established internal controls over the financial information entered in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Annual Financial Report (AFR) and the financial statements. A third-party entered the information into the Gateway, and the Town submitted the AFR without a review or approval process to ensure the accuracy of the information entered.

*Receipts*

The Town established a system of internal controls over receipts; however, it was not properly implemented. One person recorded the receipts, and another person reviewed the recorded receipts; however, the review was not consistently documented.

*H.S.A. Fund (Health Sweep Account) Receipts and Disbursements*

One employee recorded and processed the receipts and disbursements for the H.S.A. Fund (Health Sweep Account) without any approval or oversight process to ensure accurate recording of the information.

*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. . . .

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

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. . . ."

**ANNUAL FINANCIAL REPORT - OTHER INFORMATION**

*Condition and Context*

The Town is required to file financial reports after the close of each calendar year. The reports are to be filed electronically as prescribed.

The Town filed some of its reports as required; however, internal controls over the federal award information, capital asset information, and the accounts payable/receivable information were not effective.

Other Information is required to be entered annually into the Annual Financial Report via the Indiana Gateway for Government Units (Gateway) financial reporting system. The Other Information entered by the Town contained errors.

The grant schedule, which is the source of the Town's Schedule of Expenditures of Federal Awards (SEFA), was prepared and entered into the Gateway by a third-party without a review or approval process. Due to the lack of internal controls, the SEFA contained the following errors:

- The Water and Waste Disposal Systems for Rural Communities expenditures were overstated by \$976,617.
- Several additional grants had individual immaterial errors that cumulatively resulted in an overstatement of expenditures of \$51,714.

Audit adjustments were proposed, accepted by the Town, and made to the SEFA presented in the Federal Compliance Audit Report for the Town.

The capital asset information entered into the Gateway was omitted for the audit period. The differences could not be determined but are presumed to be material. The Town has opted not to present the Schedule of Capital Assets as Other Information in the Financial Statement Audit Report for the Town.

The Town could not provide supporting documentation to verify the amounts reported for accounts payable/accounts receivable information entered into the Gateway. The differences could not be determined but are presumed to be material. The Town has opted not to present the Schedule of Payables and Receivables as Other Information in the Financial Statement Audit Report for the Town.

*Criteria*

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 not later than sixty (60) days after the close of each fiscal year. 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 FLORA  
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:

"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. . . ."

#### **CERTIFICATION ON INTERNAL CONTROL STANDARDS**

The same comment appeared in the immediate prior Report B53965.

##### *Condition and Context*

The Town certified on the Indiana Gateway for Government Units (Gateway) financial reporting system that all personnel defined by Indiana Code 5-11-1-27(c) had received training concerning the internal control standards adopted by the Town; however, during the engagement, the Clerk-Treasurer indicated that all personnel had not received training concerning the internal control standards; therefore, the certification was incorrect.

##### *Criteria*

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 not later than sixty (60) days after the close of each fiscal year. 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](#)."

#### **CAPITAL ASSETS**

##### *Condition and Context*

The Town did not have a capital assets policy that details the threshold at which an item is considered to be a capital asset. The Town did not have a complete detailed listing of all capital assets owned which reflects their acquisition value. The Town did not do an inventory every two years as required.

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

*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)

**MONTHLY AND ANNUAL UPLOADS**

*Condition and Context*

The files and governmental unit information that are required to be uploaded monthly include bank reconciliations, approved Town Council minutes and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

Annual upload requirements include the year-end bank statement, year-end outstanding check list, year-end investments, detail of receipt activity, detail of disbursement activity, current year salary ordinance, and an annual vendor history report.

The Town did not comply with the State Examiner Directive by not uploading any of the monthly bank statements on the Indiana Gateway for Government Units (Gateway) financial reporting system for 2019.

The Town did not comply with the State Examiner Directive by not uploading any of the annual year-end investment statements, detail of receipts and disbursements for the year, current year salary ordinance, annual vendor history report, annual payroll report, and the annual funds ledger summarizing year to date total receipts and disbursements, and beginning and ending balances by fund on the Gateway financial reporting system for 2019.

*Criteria*

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Beginning with July 2018 files, which will be due September 15, 2018, **all** cities, towns, townships, libraries, and special districts will use the Upload App to upload files containing financial and governmental unit information on the Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. (State Examiner Directive 2018-1)

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

*Condition and Context*

Starting on January 1, 2019, the Town was required to create a Motor Vehicle Highway (MVH) Restricted sub-fund, that would be used exclusively for the construction, reconstruction, and preservation of the Town's highways and shown separately on the Annual Financial Report.

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

The Town had not created the new Motor Vehicle Highway Restricted sub-fund as required by the State Examiner Directive 2018-2 during the audit period.

*Criteria*

State Examiner Directive 2018-2 states in part: ". . . MVH and MVH Restricted will be shown separately on the Annual Financial Report and Annual Operational Report."

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**ERRORS ON CLAIMS**

*Condition and Context*

The Town is required to submit claims to the governing board for approval prior to payment. The claims from the H.S.A. Fund (Health Sweep Account) were not approved by the Town Council.

*Criteria*

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

CLERK-TREASURER  
TOWN OF FLORA  
EXIT CONFERENCE

The contents of this report were discussed on May 2, 2024, with Pamela J. Beck, Clerk-Treasurer, and Darrell Yoder, President of Town Council.