

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF HOPE

BARTHOLOMEW COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED
04/10/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Federal Findings:	
Finding 2012-001 - Preparation of the Schedule of Expenditures of Federal Awards	6
Finding 2012-002 - Internal Control over Financial Transactions and Reporting	7-8
Corrective Action Plan	9-10
Audit Result and Comment:	
Bank Account Reconciliations.....	11
Official Response.....	12-13
Exit Conference	14

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Shirley Robertson	01-01-09 to 12-31-12
	Diane Burton	01-01-13 to 12-31-20
President of the Town Council	Jonathan Titus	01-01-12 to 12-31-13
	Paula Pollitt	01-01-14 to 06-22-15
	Jonathan Titus	06-23-15 to 12-31-15
	Clyde Compton	01-01-16 to 12-31-17
Town Manager	Melina Fox	07-08-14 to 02-05-16
	(Vacant)	02-06-16 to 07-10-16
	JT Doane	07-11-16 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE TOWN OF HOPE, BARTHOLOMEW COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Hope (Town), for the period from January 1, 2012 to December 31, 2012. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the Town, which provides our opinions on the Town's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Result and Comment as described below.

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 Result and Comment 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 Corrective Action Plan for the Federal Findings and Official Response to the Audit Result and Comment, incorporated within this report, were not verified for accuracy.

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

March 1, 2017

(This page intentionally left blank.)

CLERK-TREASURER
TOWN OF HOPE

CLERK-TREASURER
TOWN OF HOPE
FEDERAL FINDINGS

**FINDING 2012-001 - PREPARATION OF THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS**

Condition

The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Clerk-Treasurer prepared and entered the SEFA via the Gateway system. There was no additional oversight or review of the SEFA by someone other than the Clerk-Treasurer to ensure the SEFA was accurate.

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. . . ."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, misstatements of the SEFA could have remained undetected.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

CLERK-TREASURER
TOWN OF HOPE
FEDERAL FINDINGS
(Continued)

FINDING 2012-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition

There were several deficiencies in the internal control system of the Town, including Water, Wastewater, and Storm Water Utilities related to financial transactions and reconciling.

1. Lack of Segregation of Duties: The Town, including Water, Wastewater, and Storm Water Utilities, had not separated incompatible activities related to cash, receipts, disbursements, and payroll. The Clerk-Treasurer performed the monthly reconcilements, wrote and posted receipts, and posted disbursements with no oversight or approval process in place. The Utility Clerk received utility collections, posted customer accounts, made deposits, and performed the monthly reconcilements of the Utilities Clearing bank account with no oversight or approval process in place.
2. Transaction Recording: The Town had not developed controls to ensure that all financial transactions were recorded in the Town's records. Transactions of the Utilities Clearing Account had not been recorded in the Town's ledger. Audit adjustments were proposed, accepted by the Town, and made to the financial statement.

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. . . ."

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

CLERK-TREASURER
TOWN OF HOPE
FEDERAL FINDINGS
(Continued)

Cause

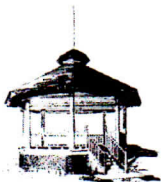
Management had not developed an effective system of internal control to ensure that the financial activity was reported properly.

Effect

The failure to establish controls enabled material misstatements or irregularities to remain undetected.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



Town of Hope

CORRECTIVE ACTION PLAN

FINDING 2012-001

Contact Person Responsible for Corrective Action: Diane Burton
Contact Phone Number: (812)546-0423

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

The Clerk Treasurer will prepare the SEFA in gateway. The information entered will then be verified by either the Deputy Clerk Treasurer or the Town Manager.

Anticipated Completion Date:

This will be implemented this year for the 2016 Annual Report.

(Signature)

Clerk Treasurer

(Title)

2/27/17

(Date)



Town of Hope

CORRECTIVE ACTION PLAN

FINDING 2012-002

Contact Person Responsible for Corrective Action: Diane Burton
Contact Phone Number: (812)546-0423

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

The Utility Clearing Account will now be reconciled by the Clerk Treasurer. The authorized signers on the Utility Clearing Account is the Clerk Treasurer and the Deputy Clerk Treasurer. All deposit totals will be compared to the posting total by another town employee for verification.

Anticipated Completion Date:

The authorized signers are being changed by the bank right now. This should be taken care of by the 1st of March, 2017. Utility Clearing Account bank reconciliation will begin in February. Verification of deposits will begin the 1st of March.

(Signature)

Clerk Treasurer

(Title)

2/27/17

(Date)

CLERK-TREASURER
TOWN OF HOPE
AUDIT RESULT AND COMMENT

BANK ACCOUNT RECONCILIATIONS

The monthly reconcilements of the Town's bank accounts for 2012 indicated record balances were not fully reconciled to the depository balances. As of December 31, 2012, the bank account reconciliations identified cash short in the amount of \$8,155.

A similar comment appeared in prior Report B40566.

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."

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)

March 7, 2017

State Board of Accounts
302 West Washington Street
Room E 418
Indianapolis, Indiana 46204-2765

OFFICIAL RESPONSE

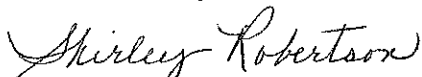
Re: Town of Hope
Audit Report for Payroll Fund of
December 1,-December 31, 2012

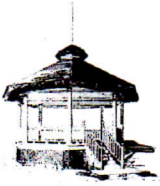
In the year of 2013 I reviewed the Payroll Bank Account of the Town of Hope, in regards to having not completed the reconciliation for the year of 2012. I identified some errors of computer entries. The payroll account has numerous transfers per pay periods, making it more difficult to get it reconciled in a timely manner. During the latter part of 2011 and into 2012 the amount of work had greatly increased.

After finding the incorrect entries, I was not able to enter them into the computer as it was not available to me. Therefore I prepared a listing of the enteries and gave the information to the Clerk Treasurer. It was my understanding this information would be forwarded to the SBOA.

I believe the listing I presented, when entered into the records, would provide the necessary entries to be able to reconcile the payroll account for the year 2012.

Respectfully,


Shirley Robertson



Town of Hope

EXAMINATION RESULTS AND COMMENTS
OFFICIAL RESPONSE
March 13, 2017

BANK ACCOUNT RECONCILIATIONS

When I came into elected office in January of 2013, it was evident that six(6) of the eight(8) depository reconciliations of the fund balances to the bank account balance were not in balance respectively. I immediately notified State Board of Accounts (SBOA) in regards to this discrepancy; subsequent to said notification, a SBOA representative arrived at Town Hall to assist towards reconciliation of the discrepancy in the balances. I was advised to continue to reconcile account balances maintaining the same discrepant balance for a period of two(2) years; I was further advised by SBOA that a representative would conduct an audit in the near future to conclude the origin of the discrepant amount that occurred during the previous Clerk Treasurer's Administration. An initial audit was scheduled, but subsequently canceled. Finally, in January 2017 an audit was completed. In conclusion, the discrepant balance amount as of January 1, 2013 was precisely and exactly the same amount on January 1, 2017.

A handwritten signature in black ink, appearing to read "Diane Burton", written in a cursive style.

Diane Burton
Clerk Treasurer
(812)546-0423
clerktreasurer@townofhope.com

CLERK-TREASURER
TOWN OF HOPE
EXIT CONFERENCE

The contents of this report were discussed on March 1, 2017, with Shirley Robertson, former Clerk-Treasurer; Clyde Compton, President of the Town Council; Nellie Meek, Council member; J.T. Doane, Town Manager; and Diane Burton, Clerk-Treasurer.