

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MOORES HILL

DEARBORN COUNTY, INDIANA

January 1, 2013 to December 31, 2017



FILED
10/11/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Internal Controls over Financial Transactions and Reporting.....	6
Condition of Records.....	7
Appropriations	8
Certification on Internal Control Standards	8
Exit Conference	9
Town Council:	
Audit Result and Comment:	
Training on Internal Control Standards	12
Exit Conference	13

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Guinevere Emery Teresa Howell Andrea Hornberger	01-01-13 to 10-07-14 10-08-14 to 12-31-15 01-01-16 to 12-31-19
President of the Town Council	Lanny Dell Terry Ingersoll	01-01-13 to 12-31-15 01-01-16 to 12-31-18



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 MOORES HILL, DEARBORN COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Moores Hill (Town), for the period from January 1, 2013 to December 31, 2017. 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 our Financial Statements Audit Report of the Town, which provides our opinion on the Town's financial statements. 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.

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

September 6, 2018

(This page intentionally left blank.)

CLERK-TREASURER
TOWN OF MOORES HILL

CLERK-TREASURER
TOWN OF MOORES HILL
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

There were several deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to receipts, payroll disbursements, and financial reporting. The failure to establish these controls could have enabled material misstatements to occur and remain undetected.

Receipts

One individual was primarily responsible for all aspects of receipting. There was no compensating control in place, such as an oversight, review, or approval process to ensure that receipts were properly recorded and deposited.

Payroll Disbursements

One individual was primarily responsible for all aspects of payroll disbursements. There was no compensating control in place, such as an oversight, review, or approval process to ensure that payroll disbursements were being disbursed properly. The check register presented to the Town Council for review and approval did not contain payroll checks.

Financial Reporting

One individual prepared and submitted the annual financial information into the Indiana Gateway for Governmental Units financial reporting system, which was the source for the Annual Financial Reports (AFR) and financial statements. The Clerk-Treasurer stated that the AFRs were reviewed by an outside consultant prior to being uploaded; however, this review was not documented.

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 MOORES HILL
AUDIT RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS

Financial records presented for audit were incomplete and not reflective of the financial activity for all funds. We noted the following deficiencies:

1. In 2015, the Town's software was unable to create a report that showed the detailed financial activity for receipts and disbursements by fund.
2. Internal Revenue Service Wage and Tax Statements - Form W-2 for all employees were not retained for 2013, 2014, and 2015.
3. The bank reconciliation for December 31, 2014, was not presented for audit.
4. The fund report was incomplete for 2015. Per inquiry with the Clerk-Treasurer and an outside consultant, the fund report did not include several adjustments that were reflected in the AFR.

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)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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](#)."

Indiana Code 5-15-6-3 states:

"No financial records or records relating thereto shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

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)

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

APPROPRIATIONS

A similar comment appeared in prior Report B43062, entitled *APPROPRIATIONS*.

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	Years	Excess Amount Expended
General	2016	\$ 26,924
Motor Vehicle Highway	2016	2,660
Fire Contract	2016	10,495
Motor Vehicle Highway	2017	19,266
Local Road and Street	2017	176

Indiana Code 36-5-4-2 states:

"Unless a statute provides otherwise, town monies may be disbursed only after an appropriation made by ordinance of the town legislative body and recorded in a book kept for that purpose by the legislative body. Each appropriation must be made from the fund against which the expense arose."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The Clerk-Treasurer certified on the AFR filed for 2017 that personnel had received training over internal control standards in accordance with Indiana Code 5-11-1-27(g). A review of the Town's records and inquiry of the Clerk-Treasurer revealed this training was not completed.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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 MOORES HILL
EXIT CONFERENCE

The contents of this report were discussed on September 4, 2018, with Andrea Hornberger, Clerk-Treasurer, and on September 6, 2018, with Guinevere Emery, former Clerk-Treasurer.

(This page intentionally left blank.)

TOWN COUNCIL
TOWN OF MOORES HILL

TOWN COUNCIL
TOWN OF MOORES HILL
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

The Town failed to provide training to personnel over the internal control standards adopted as required by Indiana Code 5-11-1-27(g).

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

". . . 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 MOORES HILL
EXIT CONFERENCE

The contents of this report were discussed on September 4, 2018, with Terry Ingersoll, President of the Town Council.