

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF HARTSVILLE

BARTHOLOMEW COUNTY, INDIANA

January 1, 2013 to December 31, 2017



**FILED**  
12/06/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Nancy Berkenstock	01-01-11 to 12-31-18
President of the Town Council	Charles Luurtsema Steven Rucker	01-01-13 to 12-31-13 01-01-14 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of the Town of Hartsville (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/](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.

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

October 25, 2018

CLERK-TREASURER  
TOWN OF HARTSVILLE  
AUDIT RESULTS AND COMMENTS

**CONDITION OF RECORDS**

The Annual Financial Reports (AFR) submitted during the audit period did not properly reflect the financial activity of the Town and contained a number of errors relating to the reporting of funds. The AFRs contained the following errors:

- Beginning fund balances did not agree to the prior report or to the unit's ledger. The December 31, 2012 prior report balance was \$290,945; however, the Town reported their January 1, 2013 balance as \$160,124; a variance of \$130,821. The Town had been using their appropriation amount in the ledgers for their beginning balance rather than the true fund balance; thus creating variances in the beginning balances of each year.
- Receipts and disbursements reported did not agree to the funds ledger. The variances between what was reported on the AFR and the funds ledger is shown below:

<u>Years</u>	<u>Receipts Over/ (Under) Stated</u>	<u>Disbursements Over/ (Under) Stated</u>
2013	\$ -	\$ 35
2014	(2,598)	(2,167)
2015	(13,734)	(13,732)
2016	(1)	(10,972)
2017	(8,116)	(8,342)

- Two funds were not reported on the AFR.

Audit adjustments were proposed, accepted by the Town, and made to the financial statements.

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](#)."

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)

**INTERNAL CONTROLS**

Internal controls over the receipting, recording, and accounting for the financial activities of the Town were insufficient over cash and investments, receipt transactions, and financial close and reporting.

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

*Cash and Investments*

The Town had not designed adequate policies or procedures to ensure that bank reconciliations were accurate and complete. The Clerk-Treasurer was the only individual involved in the completion of the monthly bank account reconciliations. There was no other review, oversight, or approval process implemented.

*Receipts*

The Clerk-Treasurer was responsible for collecting, recording, and depositing Town receipts. No review or reconciliation of the daily receipt collections to the bank deposit had been performed. There was no other review, oversight, or approval process implemented.

*Financial Close and Reporting*

The Clerk-Treasurer compiled the information used for the AFR, prepared the AFR, and submitted the AFR. There was no other review, oversight, or approval process implemented to ensure the accuracy of the financial information being reported.

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**

A combined monthly reconciliation including all depository balances and all funds of the Town was not performed; rather, monthly reconciliations were performed for the Town and the Utility separately. In the monthly reconciliations performed, there were depository accounts held at the Bank of New York that were not included. At December 31, 2017, these depository accounts had a balance of \$54,339.

In the monthly reconciliations performed, the adjusted bank balance was never compared to the balance of the funds ledger. Due to this and the exceptions noted in the Audit Result and Comment, entitled *Condition of Records*, errors in the bank reconciliations were not identified because reconciling all funds to the all depository balances was not performed.

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

Indiana Code 5-13-6-1(e) states in part: "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)

CLERK-TREASURER  
TOWN OF HARTSVILLE  
EXIT CONFERENCE

The contents of this report were discussed on October 25, 2018, with Nancy Berkenstock, Clerk-Treasurer.