

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF HARDINSBURG

WASHINGTON COUNTY, INDIANA

January 1, 2016 to December 31, 2018



FILED
11/13/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Joseph D. McKinley (deceased) Kathy Jackey	01-01-16 to 06-30-17 07-01-17 to 12-31-19
President of the Town Council	Barry Clements Joseph D. McKinley (deceased) David Davis	01-01-16 to 06-30-17 07-01-17 to 09-20-18 09-21-18 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF HARDINSBURG, WASHINGTON COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Hardinsburg (Town), for the period from January 1, 2016 to December 31, 2018. 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

October 1, 2019

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CLERK-TREASURER
TOWN OF HARDINSBURG

CLERK-TREASURER
TOWN OF HARDINSBURG
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to cash and investments, receipts, and financial close and reporting.

Cash and Investments

Monthly bank reconciliements were performed. However, there was no documentation or other evidence of an oversight, review, or approval process to ensure the accuracy of the reconciliements.

Receipts

The same individual was responsible for collecting receipts, receipting and depositing that money, and posting the transactions to the ledger. There was no documentation or other evidence of an oversight, review, or approval process to prevent, or detect and correct, errors in the receipting process.

Financial Close and Reporting

The Clerk-Treasurer prepared and submitted the Annual Financial Report (AFR) into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the financial statements. There was no documentation or other evidence of an oversight, review, or approval process to ensure the accuracy of the information prior to submission.

The lack of controls was a systemic issue, which occurred throughout the audit period.

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. . . ."

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

LATE SUBMISSION OF CERTIFIED REPORT

Condition and Context

The Town's Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R), or its equivalent, for the years 2016, 2017, and 2018 were not filed electronically until February 10, 2017, April 22, 2018, and March 30, 2019, respectively, which was 10, 81, and 58 days past the due date, respectively.

Criteria

Indiana Code 5-11-13-1(a) states in part:

"Every . . . town . . . shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts. . . . The certification must be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

LATE SUBMISSION OF ANNUAL FINANCIAL REPORTS

Condition and Context

The Town's AFRs for 2016, 2017, and 2018 were not filed electronically until March 28, 2019, March 28, 2019, and March 30, 2019, respectively, which was 757, 392, and 29 days past the due date.

Criteria

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](#)."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Clerk-Treasurer incorrectly certified that the Town had adopted internal control standards and procedures and that Town personnel had received training regarding those standards as part of the AFRs that were filed for 2016, 2017, and 2018. The Town had not adopted internal control standards and procedures, and there was no evidence that Town personnel had received the required training on those standards.

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

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CLERK-TREASURER
TOWN OF HARDINSBURG
EXIT CONFERENCE

The contents of this report were discussed on October 1, 2019, with Kathy Jackey, Clerk-Treasurer, and David Davis, President of the Town Council.

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TOWN COUNCIL
TOWN OF HARDINSBURG

TOWN COUNCIL
TOWN OF HARDINSBURG
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

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TOWN COUNCIL
TOWN OF HARDINSBURG
AUDIT RESULTS AND COMMENTS
(Continued)

TOWN COUNCIL MINUTES MISSING

Condition and Context

The same comment also appeared in prior Report B48400.

The minutes of the meetings of the Town Council were not presented for any meetings during the audit period. For several months during 2018, notations made of items discussed at the minutes were provided for review. However, these notations were not sufficient and did not provide enough detail to accurately determine the actions of the Town Council.

Criteria

Indiana Code 5-14-1.5-4 states in part:

". . . (b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under section 3.5 or 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication.

(c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

ADOPTION OF AND TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The Town Council did not adopt internal control standards and procedures during the audit period. The Town's only employees are the Clerk-Treasurer and the three members of the Town Council. The Town did not provide evidence that any of the four elected officials received the required training on internal control standards and procedures during the audit period.

Criteria

Indiana 5-11-1-27(g) states:

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

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and

TOWN COUNCIL
TOWN OF HARDINSBURG
AUDIT RESULTS AND COMMENTS
(Continued)

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

TOWN COUNCIL
TOWN OF HARDINSBURG
EXIT CONFERENCE

The contents of this report were discussed on October 1, 2019, with David Davis, President of the Town Council.