

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF HAMLET

STARKE COUNTY, INDIANA

January 1, 2016 to December 31, 2018



FILED

12/23/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kristina Pitts	01-01-16 to 12-31-19
President of the Town Council	Dave Kesvornas	01-01-16 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF HAMLET, STARKE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Hamlet (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 opinions 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

November 13, 2019

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CLERK-TREASURER
TOWN OF HAMLET

CLERK-TREASURER
TOWN OF HAMLET
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 all areas of the financial statements. The failure to establish these controls could have enabled material misstatements to occur and remain undetected.

The Town did not have policies or procedures to ensure accurate recording and reporting of receipts, disbursements, and cash and investment balances. There was no oversight or review process.

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. . . ."

OVERDRAWN CASH BALANCES

Condition and Context

The Payroll fund was overdrawn on December 31, 2016 and 2017, by \$1,974 and \$249, respectively.

The Water Operating fund was overdrawn on December 31, 2016, 2017, and 2018, by \$20,931, \$17,374, and \$14,278, respectively.

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

CERTIFICATION OF INTERNAL CONTROL STANDARDS

Condition and Context

The Clerk-Treasurer certified on the Annual Financial Report that appropriate personnel were trained on internal control standards. Personnel did not receive the internal control training; therefore, the certification was incorrect.

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](#)."

ORDINANCES AND RESOLUTIONS

Condition and Context

Customer billings for water were not billed at the current approved rate established in Ordinance 201711, dated February 17, 2009. Customers were undercharged for their water usage for all ten customers examined. Also, the Town's water and wastewater penalty fee of 10 percent was not correctly charged to customers. Customers were undercharged penalties for six of the ten customer billing accounts examined. In addition, there were two instances in which the Town did not charge the correct amount for police reports. In accordance with the Ordinance to Establish the Fees for Copies of Police Accident Reports, the Town should have collected \$5; however, they only collected \$3.

Criteria

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

MOVING TRAFFIC VIOLATIONS

Condition and Context

The Town did not establish an Ordinance Violations Bureau and has been collecting fines for moving traffic violations. The Town collected a total of \$7,220 in moving traffic violations throughout the audit period.

Criteria

Indiana Code 36-1-6-3(c) states: "An ordinance defining a moving traffic violation may not be enforced under [IC 33-36](#) and must be enforced in accordance with [IC 34-28-5](#)."

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

The accounts of each public official and public office should reflect the proper treatment of fines collected for moving traffic violations as required by Indiana Code § 36-1-6-3(c), Indiana Code Ch. 34-28-5, and this Directive. Failure to do so will result in a civil action against those public officials who are responsible for the improper enforcement and collection of fines for moving traffic violations as allowable by law. (State Examiner Directive 2015-1)

TIMELY RECORDING

Condition and Context

Utility receipts were not receipted timely. The Town did not issue receipts to customers who paid their utility bills at the time of the transaction. The Town accepted payments, and kept the utility bill payment stub as the receipt for customer payments, but would not issue the customer a receipt manually or from their software. At the end of each week, a receipt was created in the Town's billing system for all utility payments that were collected, payments were recorded to each customer's account, and a receipt was recorded in the ledger.

Criteria

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

CLERK-TREASURER
TOWN OF HAMLET
EXIT CONFERENCE

The contents of this report were discussed on November 13, 2019, with Kristina Pitts, Clerk-Treasurer; Dave Kesvornas, President of the Town Council; and Connie J. Bailey, Town Council member.

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TOWN COUNCIL
TOWN OF HAMLET

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AUDIT RESULTS AND COMMENTS

TRAINING ON INTERNAL CONTROLS

Condition and Context

The Town Council did not provide training to applicable personnel on internal control standards.

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."

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