

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF SHIRLEY

HANCOCK COUNTY, INDIANA

January 1, 2016 to December 31, 2018



FILED
12/27/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Town Council:	
Audit Results and Comments:	
Moving Traffic Violations	6
Training on Internal Control Standards	6
Official Response.....	7-8
Exit Conference	9
Clerk-Treasurer:	
Audit Result and Comment:	
Internal Controls.....	12-13
Official Response.....	14-15
Exit Conference	16

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Teresa Hester	01-01-16 to 12-31-19
President of the Town Council	Dennis Denney	01-01-16 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE TOWN OF SHIRLEY, HANCOCK COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Shirley (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

December 5, 2019

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TOWN COUNCIL
TOWN OF SHIRLEY

TOWN COUNCIL
TOWN OF SHIRLEY
AUDIT RESULTS AND COMMENTS

MOVING TRAFFIC VIOLATIONS

Condition and Context

The Town established an Ordinance Violations Bureau to collect fines; however, the Town used the Ordinance Violations Bureau to collect fines for moving traffic violations. Moving traffic violations must be processed through a county, city, or town court as required by statute. Collections for moving traffic violations totaled \$2,025 during 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](#)."

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)

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

Town employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the Town, had not received training over the minimum internal control standards as defined by the Indiana State Board of Accounts in 2016. Training was subsequently completed in 2017.

Criteria

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

"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."



TOWN OF SHIRLEY
409 MAIN ST. PO BOX 90
SHIRLEY, IN 47384
765-738-6561

Date: 12/12/2019

State Board of Accounts
302 West Washington Street
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Indianapolis, IN 46204-2769

TO: OFFICIALS STATE BOARD OF ACCOUNTS

MOVING TRAFFIC VIOLATIONS

When the Town became aware that we were not processing moving traffic violations correctly the process was stopped. The Town is currently waiting for directions from State Board of Accounts on how to process out of this issue.

TRAINING ON INTERNAL CONTROLS STANDARDS

As stated by the examiner the Town had implemented internal control training in 2017.

Unaware that the reconciliation also required oversight, currently a council member reviews on a monthly basis all Revenue and Appropriations that are entered on a monthly. Currently calibrating on a process where the bank reconciliations will be reviewed and documented by a council member or other reputable person.

Currently the Utility Clerk who works under the Clerk Treasurer makes daily deposits as does the Clerk Treasurer.

In order to be compliant with Internal Controls: Clerk Treasurer intends to implement a document for the Clerk Treasurer or designated person will initial after reviewing all daily deposits on a regular basis.

The Clerk Treasurer was not aware that it was necessary for the Council to approve each employee's payroll. Understood the Accounts Payable Voucher Register was the only requirement.

Clerk Treasurer will put into operation an Allowance Docket ordered by employee from the Keystone System to be signed by Council.

The Council knew when the Clerk Treasurer was doing the AFR however we lack a proper internal control system that states they have completed.

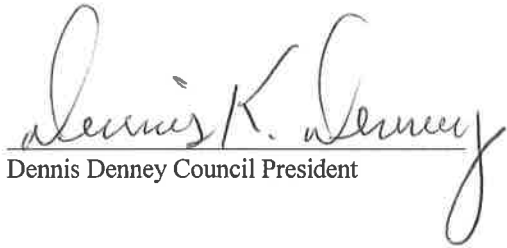
Clerk Treasurer will be adding to the internal controls process a document to be signed by either one or all of the Council Members that review the AFR.

As being the newly elected officials (Clerk Treasurer and two Council Members) in 2016, we realized in the beginning that there was a lot to be learned in doing Government finance. We have and will continue to be educated through online webinars as well as other trainings held around the State. I personally am continuously learning the aspects of being a

Town Council: Dennis Denney – Council President, Rebecca Perkins – Vice-President,
Dennis Westrich – Council Member

Clerk Treasurer: Teresa Hester

Clerk/Treasurer. Therefore when I realize there is a policy or ordinance that needs to be changed or put in place it is presented to the council. Then together we work to implement the changes so as to fit our small community. Being in a small community there is not always the need or the funds for the Town to hire a large number of employees. This makes it difficult to implement many of the internal controls that are required. The Town Council and Clerk Treasurer will continue to implement changes as needed.


Dennis Denney Council President


Teresa Hester Clerk Treasurer

TOWN COUNCIL
TOWN OF SHIRLEY
EXIT CONFERENCE

The contents of this report were discussed on December 5, 2019, with Teresa Hester, Clerk-Treasurer; Dennis Denney, President of the Town Council; Rebecca Perkins, Town Council member; and Dennis Westrich, Town Council member.

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CLERK-TREASURER
TOWN OF SHIRLEY

CLERK-TREASURER
TOWN OF SHIRLEY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

The same comment also appeared in prior Report B48317.

Condition and Context

There were deficiencies in the internal control system of the Township related to cash and investments, receipts, payroll disbursements, and financial close and reporting.

Cash and Investments

The Town had not properly designed and implemented internal controls over cash and investments. The Clerk-Treasurer prepared bank reconciliations monthly without any documented oversight or review process in place.

Receipts

The Town had not established an effective internal control system that separated incompatible activities related to receipts. Utility payments were collected, posted to a customer's account, and deposited by a single employee without any additional oversight or review prior to daily summary reports remitted to the Clerk-Treasurer for recording.

Payroll Disbursements

The Town had not established an effective internal control system that separated incompatible activities related to payroll disbursements. The Clerk-Treasurer was responsible for preparing, processing, and recording payroll transactions without any additional review or oversight procedures in place. Payroll transactions were included and approved by the Town Council on an Accounts Payable Voucher Register; however, this approval was for overall pay per department and not by employee. Additionally, no supporting documentation was maintained to verify that overtime hours worked by employees were approved by a Town Council member in accordance with Town policy.

CLERK-TREASURER
TOWN OF SHIRLEY
AUDIT RESULT AND COMMENT
(Continued)

Financial Close and Reporting

The Town had not established an effective internal control system over the preparation of the Town's Annual Financial Report (AFR) in the Indiana Gateway for Government Units (Gateway) financial reporting system. The Clerk-Treasurer entered financial information for the Town's AFR into Gateway without any documented oversight, review, or approval process in place.

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. . . ."



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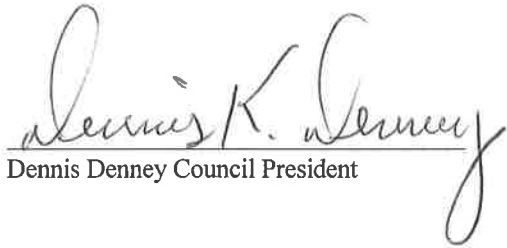
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