

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF HAMILTON

STEBEN COUNTY, INDIANA

January 1, 2017 to December 31, 2018



FILED
04/23/2020

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|-----------------|----------------------|
| Clerk-Treasurer | Hester Stouder | 01-01-16 to 12-31-23 |
| President of the Town Council | Tina Bosse | 01-01-17 to 12-31-18 |
| | Mary Vail | 01-01-19 to 12-31-20 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE TOWN OF HAMILTON, STEUBEN COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Hamilton (Town), for the period from January 1, 2017 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 Statement Audit Report of the Town, which provides our opinions on the Town's financial statement. 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

April 13, 2020

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CLERK-TREASURER
TOWN OF HAMILTON

CLERK-TREASURER
TOWN OF HAMILTON
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 receipts and financial close and reporting.

Receipts

The Deputy Clerk-Treasurer collected cash, wrote receipts, prepared the deposits, took the deposits to the bank, and posted the receipts in the records without an oversight, review, or approval process in place to ensure the accuracy of the receipts.

Financial Close and Reporting

The Clerk-Treasurer entered and submitted financial information for the Town into the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Report and financial statements. There was no evidence of any oversight, review, or approval process to ensure the accuracy of the information entered and submitted.

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. . . ."

PAYMENT OF CLAIMS PRIOR TO TOWN COUNCIL ALLOWANCE

Condition and Context

The Town did not adopt an ordinance to allow payment of claims prior to Town Council approval. All vendor claims under \$2,500 were paid by the Clerk-Treasurer prior to review and approval by the Town Council.

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

Criteria

IC 36-4-8 and IC 36-5-4 list various conditions which must be met prior to issuing warrants in cities and towns. IC 36-4-8-14 and IC 36-5-4-12 permit a city or town council to adopt an ordinance allowing the city or town fiscal officer to pay certain types of claims prior to board allowance.

The types of claims which could be paid before board allowance include:

1. property or services purchased from the U.S. Government,
2. license or permit fees,
3. insurance premiums,
4. utility payments or connect charges,
5. general grant programs where advance refunding is not prohibited and the contracting party posts sufficient security to cover the amount advanced,
6. grants of State funds,
7. maintenance or service agreements,
8. leases or rental agreements,
9. bond or coupon payments,
10. payroll,
11. state, federal, or county taxes,
12. expenses that must be paid because of emergency circumstances, and
13. expenses described in an ordinance.

Each payment of expenses must be supported by a fully itemized claim and certified by the fiscal officer and must be reviewed by the proper board at its next regular or special meeting. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2015)

ORDINANCES AND RESOLUTIONS

Condition and Context

Our test of utility billings determined that the Town had incorrectly billed customers for water services during the audit period. A new Water Rate Ordinance was enacted in 2016, but the Town continued to bill customers using rates from the outdated 2014 Water Rate Ordinance. As of March 25, 2020, the Town had updated their billing software to use the correct rates.

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

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)

CLERK-TREASURER
TOWN OF HAMILTON
EXIT CONFERENCE

The contents of this report were discussed on April 13, 2020, with Hester Stouder, Clerk-Treasurer; Brent Shull, Town Manager; and Mary Vail, President of the Town Council.

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TOWN COUNCIL
TOWN OF HAMILTON

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TOWN OF HAMILTON
AUDIT RESULT AND COMMENT

PAYMENT OF CLAIMS PRIOR TO TOWN COUNCIL ALLOWANCE

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TOWN OF HAMILTON
EXIT CONFERENCE

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