

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF HILLSBORO

FOUNTAIN COUNTY, INDIANA

January 1, 2017 to December 31, 2019



FILED
09/04/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Angela Golia	01-01-17 to 12-31-20
President of the Town Council	Tricia Keeling Edward J. Moyer	01-01-17 to 12-31-19 01-01-20 to 12-31-20
Superintendent of Utilities	Thomas L. Fishero	01-01-17 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF HILLSBORO, FOUNTAIN COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Hillsboro (Town), for the period from January 1, 2017 to December 31, 2019. 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

July 21, 2020

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CLERK-TREASURER
TOWN OF HILLSBORO

CLERK-TREASURER
TOWN OF HILLSBORO
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

There were several deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to disbursements and financial reporting.

Disbursements

The Town's internal controls over disbursements were not properly implemented. The Town's internal control system designates that the governing body review claims for disbursement prior to approving them for payment. There were disbursements during the audit period that were not reviewed prior to approval.

Financial Reporting

The Clerk-Treasurer compiled and submitted the financial information into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report and the financial statements. There were no controls in place, such as an oversight, review, or approval process, to ensure the accuracy prior to submission.

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 HILLSBORO
AUDIT RESULTS AND COMMENTS
(Continued)

MOTOR VEHICLE HIGHWAY RESTRICTED FUND

Condition and Context

The Town did not create the Motor Vehicle Highway Restricted fund on of January 1, 2019, as required. The fund was established in December 2019 when a transfer was made from the Motor Vehicle Highway fund to move the required 50 percent to the Motor Vehicle Highway Restricted fund.

Criteria

The purpose of this Directive is to authorize and require . . . towns that receive distributions from the State Motor Vehicle Highway Account to create a new sub-fund within the MVH Fund to properly manage and account for the usage restrictions that were included in House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018. . . .

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted. (State Examiner Directive 2018-2)

Indiana Code 8-14-1-5(c) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

ORDINANCES AND RESOLUTIONS

Condition and Context

The Town did not bill all of their customers at the correct monthly water billing charge during the audit period. Customers with usage greater than 5,000 gallons were incorrectly billed. An incorrect rate was entered into the billing software for this billing tier by the vendor. The rates entered by the software vendor were not verified by Town personnel. Moreover, utility customers were allowed to make payments for utility deposits. The ordinance did not include this as allowable.

The salary for the labor position of the Town was being paid from multiple funds during the audit period, which was not specified in the salary ordinance. The salaries for the Town Council in 2018 were not paid from multiple funds as indicated in the salary ordinance. An amendment to the 2018 Salary Ordinance was adopted in July 2018, but did not specify an effective date or whether it was retroactive.

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 HILLSBORO
EXIT CONFERENCE

The contents of this report were discussed on July 21, 2020, with Angela Golia, Clerk-Treasurer; Edward J. Moyer, President of the Town Council; and Jody Fishero, Town Council member.

TOWN COUNCIL
TOWN OF HILLSBORO

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AUDIT RESULTS AND COMMENTS

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

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