

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF HYMERA

SULLIVAN COUNTY, INDIANA

January 1, 2018 to December 31, 2019



FILED
12/15/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Nicole Hall	01-01-18 to 12-31-20
President of the Town Council	James Enstrom	01-01-18 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF HYMERA, SULLIVAN COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Hymera (Town), for the period from January 1, 2018 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 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

December 10, 2020

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CLERK-TREASURER
TOWN OF HYMERA

CLERK-TREASURER
TOWN OF HYMERA
AUDIT RESULTS AND COMMENTS

CONDITION OF RECORDS

A similar comment also appeared in prior Report B51934, entitled *TIMELY RECORDING*.

Condition and Context

The financial statement presented for audit was inaccurate and not reflective of the financial activity of the Town's underlying financial records. In addition, the Town's underlying financial records contained a number of errors in the recording of the financial activity.

The financial statement and financial records contained the following errors:

1. The financial statement presented for audit did not agree with the underlying financial records. The following variances were observed:
 - a. Disbursements during 2019 totaling \$759 for the Smithville Grant fund were omitted from the financial statement. An adjustment to the financial statement for this omission was proposed, accepted by the Town, and made to the financial statement.
 - b. The 2019 financial activity of the SEWAGE UTL BON & INT and the SEWAGE UTL RESERVE funds were included in the financial statement, but not recorded in the Town's financial records.
2. Financial activity was not recorded in the financial records and, therefore, not included on the financial statement, for the following:
 - a. Bond proceeds of \$175,000 and interest of \$30 for the SEWAGE UTIL 2019SRF CONSTRUCTION fund were not recorded in the financial records and not reflected in the submitted financial statement. An adjustment to the financial statement for this omission was proposed, accepted by the Town, and made to the financial statement.
3. A number of uncorrected errors related to disbursements were identified:
 - a. Disbursements totaling \$20,972 were identified in which duplicate payments were posted to the financial records for the same disbursement. In some instances, duplicate checks were issued for the same invoice, with only one check clearing the bank, and the other not being voided, but carried forward from month to month as an outstanding check on the Town's monthly bank reconciliations. Duplicate disbursements were also posted to the financial records in some instances where there was either no check issued, or a previously used check number was assigned to a disbursement. In those instances, only one payment was issued, but the duplicate disbursement was not voided, but carried forward from month to month as an outstanding disbursement on the Town's monthly bank reconciliations. As a result of the uncorrected disbursement errors, 32 percent of the outstanding checks presented with the December 31, 2019 bank reconciliations should have been previously voided and, therefore, understated the available cash balance of the Town by \$20,972. An adjustment totaling \$20,972 was proposed, accepted by the Town, and made to the financial statement in order to eliminate the effect of these uncorrected disbursement errors.

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

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](#)."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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)

TIMELY RECORDING

Condition and Context

The Town did not receipt state distributions into its financial records timely. There were 45 out of 51 receipts in 2018 and 41 out of 47 receipts in 2019 not recorded timely.

During the testing of other Town and Utility receipts, there were 13 out of 20 receipts and 9 out of 19 receipts tested in 2018 and 2019, respectively, that were not recorded until one to three weeks after the date of the collections.

Criteria

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)

INTERNAL CONTROLS

Condition and Context

There were several deficiencies in the internal control system for the Town related to cash and investments, receipts, disbursements, and financial transactions and reporting. To the extent there were internal controls in place, such as an oversight, review, or approval process to ensure the accuracy of the financial transactions and reports; they were largely ineffective. Also, the Town had not separated incompatible activities related to receipts and financial close and reporting.

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

The failure to establish a proper system of internal controls enabled material misstatements or irregularities to occur and remain undetected as described previously in the *Condition of Records* comment.

The following deficiencies in the internal control system were identified:

Cash and Investments

The Town did not have an effective system of internal controls in place to ensure that monthly reconcilements of the depository balances to the ledger balances were accurate. The Clerk-Treasurer prepared the monthly reconcilements and the President of the Town Council reviewed and approved the monthly reconciliation; however, the outstanding check lists used in the monthly reconcilements contained checks which represented uncorrected disbursement errors, which were not identified and investigated. As a result, the uncorrected errors overstated disbursements and understated available cash balances, as previously described in the *Condition of Records* comment.

Receipts

The Town did not have adequate segregation of duties over receipts. All receipts, both town and utility, were posted to the ledger by the Clerk-Treasurer, without any type of review or oversight process by someone not involved in the receipting process, to ensure that all receipts were posted to the ledger, and that they were posted in a timely manner to the correct accounts. Due to the lack of internal controls over receipts, the proceeds from the 2019 Sewage Utility Revenue Bond issuance were not posted to the Town's financial records. As a result, the uncorrected errors understated both receipts and the available cash balance, as previously described in the *Condition of Records* comment.

Disbursements

The Town did not have an effective system of internal controls in place to ensure that disbursements were accurately recorded in the Town's accounting records. While all disbursements were reviewed and approved by the Town Council, this internal control was not effective in preventing or detecting inaccuracies related to the posting of disbursements to the ledger. Due to a lack of effective internal controls over disbursements, multiple instances occurred where disbursements were duplicated and posted to the ledger without detection or correction. As a result, the uncorrected errors overstated disbursements and understated the available cash balance, as previously described in the *Condition of Records* comment.

Financial Close and Reporting

The Town did not have a proper system of internal controls in place over financial transactions and reporting to prevent, or detect and correct, errors. The Clerk-Treasurer entered and submitted financial information for the Town into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source for the Annual Financial Report and the financial statement. There was no evidence of an oversight, review, or approval process to ensure the accuracy of the information entered and submitted.

Due to the lack of internal controls over the input of financial information entered into Gateway; material errors affecting cash, receipts and disbursements, as referenced above, and further described in the *Condition of Records* comment, remained undetected.

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

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. . . ."

CAPITAL ASSETS

A similar comment also appeared in a Management Letter addressed to the Clerk-Treasurer and Town Council for the audit period ending December 31, 2017.

Condition and Context

The Town did not provide a formal capital asset policy, a detailed listing of capital assets, and evidence that a capital asset inventory had been completed at least once every two years.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF HYMERA
EXIT CONFERENCE

The contents of this report were discussed on December 10, 2020, with Nicole Hall, Clerk-Treasurer, and James Enstrom, President of the Town Council.