

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ADVANCE

BOONE COUNTY, INDIANA

January 1, 2019 to December 31, 2020



FILED
09/15/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Shari Johnson	01-01-19 to 12-31-21
President of the Town Council	Matt Johnson	01-01-19 to 12-31-19
	Melody Fry	01-01-20 to 12-31-21



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF ADVANCE, BOONE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Advance (Town), for the period from January 1, 2019 to December 31, 2020. 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

September 2, 2021

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CLERK-TREASURER
TOWN OF ADVANCE

CLERK-TREASURER
TOWN OF ADVANCE
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

The same comment also appeared in the immediately prior Report B53866.

Condition and Context

Bank reconciliations for all months requested were presented for audit; however, the reconciliations were not being completed timely, as required by Indiana Code 5-13-6-1. This was a systemic issue throughout the audit period as all six reconciliations reviewed were not completed in a timely manner.

Criteria

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."

INTERNAL CONTROLS

Condition and Context

The Town had not properly designed and implemented an effective internal control system over cash and investments. Although a documented review process was in place over the bank reconciliation process, it did not ensure that monthly bank reconciliations were completed in a timely manner and without errors. The failure to establish these internal controls was a systemic issue throughout the audit period and could have enabled material misstatements to occur and remain undetected.

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 ADVANCE
AUDIT RESULTS AND COMMENTS
(Continued)

OVERDRAWN CASH BALANCES

The same comment also appeared in the immediately prior Report B53866.

Condition and Context

The Town's financial statement included the Sewer Utl Oper. & Maint. fund with an overdrawn cash and investment balance of \$139,707 and \$130,069 at December 31, 2019, and December 31, 2020, 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)

CONDITION OF RECORDS

Condition and Context

The Town's detailed meter deposit register was not reconciled to fund balances in the Electric Meter Deposit fund and Wa Utl Customer Deposit fund (Water Utility).

Criteria

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)

ORDINANCES AND RESOLUTIONS

Condition and Context

The Town failed to comply with State Examiner Directive 2018-2 and its own Ordinance [2019-01] regarding the Motor Vehicle Highway (MVH) fund and MVH Restricted sub-fund. The Town receipted 50 percent of both state and local MVH distributions into the sub-fund, when only distributions from the Auditor of State should be posted to the sub-fund. Total receipts posted to the sub-fund in excess of 50 percent Auditor of State distribution amounts were \$16,389 and \$6,617 in 2019 and 2020, respectively.

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)

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)

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

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Town of Advance
Office of Clerk - Treasurer
(765) 676-6611
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OFFICIAL RESPONSE


Date: September 9, 2021

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

Re: Town of Advance's 2019-2020 Audit

The repeat finding of the Sewer O&M being in a deficit; as of March of 2021, the Fund 606 is now in a positive cash balance. Moving forward with future audits, this Fund will be closely monitored to avoid a negative status and future findings.

Respectfully,



Shari L. Johnson, IAMC
Clerk-Treasurer, Town of Advance, IN

CLERK-TREASURER
TOWN OF ADVANCE
EXIT CONFERENCE

The contents of this report were discussed on September 2, 2021, with Shari Johnson, Clerk-Treasurer; Melody Fry, President of the Town Council; Amanda Lyles, Town Council member; and Jim Caldwell, Town Council member.