

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, 2019 to December 31, 2020



FILED
12/20/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Teresa Hester	01-01-19 to 12-31-21
President of the Town Council	Dennis Denney David Messer	01-01-19 to 12-31-19 01-01-20 to 12-31-21



STATE OF INDIANA
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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, 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

December 13, 2021

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CLERK-TREASURER
TOWN OF SHIRLEY

CLERK-TREASURER
TOWN OF SHIRLEY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment was included in prior Reports B48317 and B54191.

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting.

Cash and Investments

The monthly bank reconciliations were completed by the Clerk-Treasurer without any documentation of review or oversight.

Financial Close and Reporting

Information for the financial close and reporting process was submitted into the Indiana Gateway for Governmental Units financial reporting system by one employee without review or oversight.

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. . . ."

ACCOUNTING OF CORONAVIRUS FUNDS

Condition and Context

The Town did not properly account for the Coronavirus Relief Fund (CRF) in accordance with the options outlined in State Examiner Directive 2020-3.

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

The Town receipted the Indiana Finance Authority (IFA) reimbursement of \$27,869 for health and safety payroll costs into the COVID - CARES ACT Fund (CARES) on December 14, 2020. The expenditures upon which the reimbursement was based should have been reversed and recorded in the CARES fund, or the reimbursed amount transferred through the claims process to the General Fund, which would have allowed the money to be expended for any general unit purpose. Either of these two methods would have allowed for the proper processing and recording of the CRF reimbursement. The Town had a year-end balance of \$27,869 in the CARES fund.

Criteria

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options.

Option One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and re-appropriate the general fund (or other fund) in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the general fund (or other fund), it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once option one is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

Option Two. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020. . . .** (State Examiner Directive 2020-3)

MOTOR VEHICLE HIGHWAY (MVH) RESTRICTED FUND

Condition and Context

The Town created the Motor Vehicle Highway (MVH) Restricted fund as required; however, the Town did not allocate or deposit at least 50 percent of the distribution from the State Motor Vehicle Highway Account at the time of the receipt into the MVH Restricted fund. The \$3,024 MVH distribution for December 2019 was not allocated to the MVH Restricted fund, which resulted in less than 50 percent allocated as required to MVH.

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

The Town also subsequently transferred \$13,000 out of the MVH Restricted fund. The funds transferred were used to pay for the local match for the Community Crossings Grant that was used to pay for highway construction, but the construction expenditures should have been paid directly from the MVH Fund.

Criteria

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.

The political subdivision, by ordinance or resolution, may elect to allocate more than fifty percent (50%) of the distributions to MVH Restricted. During the same fiscal year, the political subdivision may transfer, by ordinance or resolution, the amount allocated in excess of the 50% requirement from MVH Restricted to MVH. ***In no event can any transfers from MVH Restricted to MVH reduce the fiscal year distributions from the State Motor Vehicle Highway Account below the 50% requirement for MVH Restricted.*** (State Examiner Directive 2018-2)

CLERK-TREASURER
TOWN OF SHIRLEY
EXIT CONFERENCE

The contents of this report were discussed on December 13, 2021, with Teresa Hester, Clerk-Treasurer, and Becky Perkins, Vice President of the Town Council.