

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF SHARPSVILLE

TIPTON COUNTY, INDIANA

January 1, 2017 to December 31, 2020



**FILED**  
04/07/2022



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Berniece Farris	01-01-17 to 12-31-22
President of the Town Council	Linda Smeltzer	01-01-17 to 12-31-17
	Nicholas Grant	01-01-18 to 12-31-18
	Robert Rupe	01-01-19 to 12-31-19
	Linda Smeltzer	01-01-20 to 12-31-22
Town Court Judge	Evelyn Hollman	01-01-17 to 12-31-19



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF SHARPSVILLE, TIPTON COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Sharpsville (Town), for the period from January 1, 2017 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 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/](http://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.

Beth Kelley, CPA, CFE  
Deputy State Examiner

March 17, 2022

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CLERK-TREASURER  
TOWN OF SHARPSVILLE

CLERK-TREASURER  
TOWN OF SHARPSVILLE  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

*Condition and Context*

There were deficiencies in the internal control system established by the Town related to cash and investments, receipts, and the Town Court.

The Town designed a system of internal controls over cash and investment balances in which the Clerk-Treasurer prepared bank reconciliations on a monthly basis and then presented them to the Town Council for review. However, documentation could not be provided to verify that the internal control was implemented.

The Town did not properly design and implement a system of internal controls over receipts. The Town had not separated incompatible activities related to receipts.

The Town Court did not properly design and implement a system of internal controls, or separate incompatible activities, over cash and investments, receipts, disbursements, or financial close and reporting. The Town Court dissolved effective December 31, 2019.

*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. . . ."

**FINANCIAL TRANSACTIONS AND REPORTING**

A similar comment appeared in prior Report B48848.

*Condition and Context*

Certain transactions of the Town were not recorded in the financial records, which caused errors in the Annual Financial Report (AFR) that was used to compile the financial statements.

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

The Clerk-Treasurer transferred the Water Utility and Wastewater Utility portion of payroll expenses into the Payroll fund, but did not record the transfer out of payroll expenses from the Water Utility-Operating and Wastewater Utility-Operating funds. The Clerk-Treasurer would periodically post the payroll expense transfers at a later date; therefore, some transactions were not recorded in a timely manner and not reported in the correct accounting period. This caused payroll disbursements in the AFR to be understated and cash balances to be overstated for the Water Utility-Operating and Wastewater Utility-Operating funds.

Additionally, the financial transactions for the Water Utility - Debt Reserve, Water Utility-Bond And Interest, and the Debt Reserve-Wastewater funds were not recorded in the Town's financial ledger. The Town did include most of the activity and cash balances of these funds in the AFR that was used to compile the financial statements. The amounts reported on the AFR were derived from the Town's activity in its bank statements.

The AFR and financial statements also contained errors in the Motor Vehicle Highway and Motor Vehicle Highway Restricted funds. These funds were maintained separately on the financial ledger but reported as one fund on the AFR and financial statements.

The financial statements presented for audit contained the following errors:

1. The cash balance for the Water Utility-Operating fund was overstated by \$55,281 at January 1, 2017.
2. The cash balance for the Wastewater Utility-Operating fund was overstated by \$22,166 at January 1, 2017.
3. The Water Utility-Operating fund ending cash and investment balances and disbursements were understated for 2017, 2018, 2019, and 2020 by \$5,758, \$25,664, \$5,301, and \$8,478, respectively.
4. The Wastewater Utility-Operating fund ending cash and investment balances and disbursements were understated for 2017, 2018, 2019, and 2020 by \$28,885, \$38,856, \$30,406, and \$42,600, respectively.
5. The Motor Vehicle Highway fund overstated receipts for 2019 and 2020 by \$13,063 and \$11,521, respectively, and overstated disbursements by \$13,063 in 2020. This overstated ending cash balances for 2019 and 2020 by \$13,063 and \$11,521, respectively.
6. The Motor Vehicle Highway Restricted fund understated receipts for 2019 and 2020 by \$13,063 and \$11,521, respectively, and understated disbursements by \$13,063 in 2020. This understated ending cash balances for 2019 and 2020 by \$13,063 and \$11,521, respectively.
7. The Water Utility-Bond And Interest fund understated ending cash and investment balances and receipts by \$4,700 in 2020.

Audit adjustments were proposed, accepted by the Town, and made to the financial statements.

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

*Criteria*

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity 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](#)."

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)

**CAPITAL ASSETS**

*Condition and Context*

The Town did not complete a physical inventory at least every two years and did not maintain a detailed listing of all capital assets.

*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)

**TRANSFERS**

*Condition and Context*

In 2017 and 2020, transfers between funds were not properly authorized. The following transfers were not properly approved by the Town Council:

*2017:*

- A \$1,000 transfer from the Cedit Capital Projects fund to the American Disability Act Fund.
- A \$17,642 transfer from the Special Road and Bridge Fund to the Local Bridge and Road Matching Grant fund.
- A \$7,000 transfer from the Motor Vehicle Highway fund to the Local Bridge and Road Matching Grant fund.

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

- A \$5,500 transfer from the General fund to Local Bridge and Road Matching Grant fund.

2020:

- A \$13,063 transfer from the Motor Vehicle Highway Restricted fund to Local Bridge and Road Matching Grant fund.

*Criteria*

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)

**OVERDRAWN CASH BALANCES**

*Condition and Context*

The following funds had overdrawn cash balances at December 31, 2017, 2018, 2019, and 2020:

Fund	Amount Overdrawn at December 31, 2017	Amount Overdrawn at December 31, 2018	Amount Overdrawn at December 31, 2019	Amount Overdrawn at December 31, 2020
Trash Utility-Operating	\$ -	\$ -	\$ -	320
Water Utility-Operating	49,492	68,640	77,110	85,294

*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 Town, Chapter 1)

**MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED**

*Condition and Context*

The Town did not separate the Motor Vehicle Highway and the Motor Vehicle Highway Restricted funds on the Annual Financial Report (AFR), which was used to compile the financial statements. The Town maintained these funds as separate funds on its financial ledgers, but reported the funds as one, combined fund on the AFR.

Adjustments were proposed, accepted by the Town, and made to the financial statements presented in this report to properly report the Motor Vehicle Highway and Motor Vehicle Highway Restricted as two separate funds.

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

*Criteria*

Together, MVH and MVH Restricted shall constitute the total MVH Fund. MVH and MVH Restricted will be shown separately on the Annual Financial Report and Annual Operational Report. (State Examiner Directive 2018-2)

CLERK-TREASURER  
TOWN OF SHARPSVILLE  
EXIT CONFERENCE

The contents of this report were discussed on March 17, 2022, with Berniece Farris, Clerk-Treasurer, and Linda Smeltzer, President of the Town Council.