

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ASHLEY

STEUBEN COUNTY, INDIANA

January 1, 2018 to December 31, 2020



FILED
04/08/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Karen McEntarfer	01-01-18 to 12-31-22
President of the Town Council	Michael Hasselman	01-01-18 to 12-31-22
Superintendent of Utilities	Roger Green	01-01-18 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF ASHLEY, STEUBEN COUNTY, INDIANA

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

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 31, 2022

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CLERK-TREASURER
TOWN OF ASHLEY

CLERK-TREASURER
TOWN OF ASHLEY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

The same comment appeared in prior Report B50781.

Condition and Context

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

Receipts

One employee was responsible for issuing receipts for funds collected, preparing daily deposits for the bank accounts and taking the deposits to the bank, and preparing the bank reconciliation. There were no internal controls in place, such as an oversight, review, or approval of the daily deposits.

Payroll

The Town Council approved payroll disbursements during monthly Town Council meetings; however, there was no second review of payroll reporting or of employee timecards by department heads.

Financial Close and Reporting

The Clerk-Treasurer entered the year-end information into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Reports and financial statements, without any oversight, approval, or review process in place to ensure the accuracy of the information submitted.

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:

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

"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. . . ."

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

The Town created an MVH Restricted sub-fund within the Motor Vehicle Highway fund (MVH fund) and posted fifty percent (50%) of the State Motor Vehicle Highway distributions to the sub-fund. The Town did not report the activity of the MVH Restricted sub-fund separately from the MVH fund in the Annual Financial Reports filed in the Indiana Gateway for Government Units financial reporting system.

Criteria

The purpose of this Directive is to authorize and require . . . cities, and 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. . . .

On the chart of accounts, the MVH Fund and MVH Restricted sub-fund shall be shown as follows:

. . .

Cities and Towns

Fund 201	MVH
Fund 203	MVH Restricted

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

CLERK-TREASURER
TOWN OF ASHLEY
EXIT CONFERENCE

The contents of this report were discussed on March 31, 2022, with Karen McEntarfer, Clerk-Treasurer, and Michael Hasselman, President of the Town Council.