

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF LIZTON

HENDRICKS COUNTY, INDIANA

January 1, 2019 to December 31, 2021



FILED
07/08/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Tonya Perry (Vacant) Nicole Kish	01-01-19 to 10-27-21 10-28-21 to 11-30-21 12-01-21 to 12-31-22
President of the Town Council	Robert Uhrick Robert Fisher Lisé K. Crouch	01-01-19 to 12-31-19 01-01-20 to 12-31-20 01-01-21 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF LIZTON, HENDRICKS COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Lizton (Town), for the period from January 1, 2019 to December 31, 2021. 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

June 23, 2022

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CLERK-TREASURER
TOWN OF LIZTON

CLERK-TREASURER
TOWN OF LIZTON
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

The same comment also appeared in prior Report B52564.

Condition and Context

There were deficiencies in the internal control system of the Town related to three areas of financial transactions and reporting. Internal control activities should be selected and developed at various levels to reduce risks of error and/or fraud in the financial statements. The Town had not separated incompatible activities related to cash and investments, receipts, and financial close and reporting. The failure to establish these internal controls could have enabled material misstatements to occur and remain undetected.

Cash and Investments

Bank statements were received and reconcilements were prepared by the Clerk-Treasurer; however, there was no evidence of an oversight, review, or approval process.

Receipts

The Clerk-Treasurer issued and recorded receipts and made deposits. There was no evidence of an oversight, review, or approval process.

Financial Close and Reporting

The Clerk-Treasurer was responsible for inputting information and submitting the Annual Financial Report to the Indiana Gateway for Government Units financial reporting system, which was the source of the Town's financial statements. There was no evidence of an oversight, review, or approval process to ensure the accuracy of the financial information prior to submission.

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 LIZTON
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSETS

Condition and Context

The Town and its Utilities did not have a complete, detailed listing of all capital assets, nor was a physical inventory performed at least 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)

OVERDRAWN CASH BALANCES

Condition and Context

The financial statements presented for audit included the following funds with overdrawn cash balances at December 31, 2020 and 2021:

Fund	December 31, 2020	December 31, 2021
Payroll 90100105110120	\$ 720	\$ -
WW Operating	7,420	55,400
Water Operating Fund	891	-

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 FUND

Condition and Context

The Town did not establish and report the Motor Vehicle Highway Restricted (MVH) sub-fund, and, therefore, the Town did not allocate at least 50 percent of the distributions from the State MVH Account, at the time of receipt, into an MVH Restricted sub-fund. Since the MVH Restricted sub-fund had not been created, we were unable to determine if the Town used at least 50 percent for the purposes specified in Indiana Code 8-14-1-5(c).

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

Criteria

The purpose of this Directive is to authorize and require counties, 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 1920-2018.

The sub-fund . . . will be used to account for MVH monies which have been statutorily restricted for construction, reconstruction, and preservation purposes.

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 and Annual Operational Report.

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)

Indiana Code 8-14-1-5(c) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF LIZTON
EXIT CONFERENCE

The contents of this report were discussed on June 23, 2022, with Nicole Kish, Clerk-Treasurer; Lisé K. Crouch, President of the Town Council; and Jarrod Hall, Financial Advisor.

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TOWN COUNCIL
TOWN OF LIZTON

TOWN COUNCIL
TOWN OF LIZTON
AUDIT RESULT AND COMMENT

CAPITAL ASSETS

Condition and Context

The Town did not have a formal capital assets policy.

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)

TOWN COUNCIL
TOWN OF LIZTON
EXIT CONFERENCE

The contents of this report were discussed on June 23, 2022, with Nicole Kish, Clerk-Treasurer; Lisé K. Crouch, President of the Town Council; and Jarrod Hall, Financial Advisor.