

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF BEVERLY SHORES

PORTER COUNTY, INDIANA

January 1, 2020 to December 31, 2021



FILED
10/19/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Ellen Hundt	01-01-20 to 12-31-22
President of the Town Council	Geof R. Benson	01-01-20 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF BEVERLY SHORES, PORTER COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Beverly Shores (Town), for the period from January 1, 2020 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 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.

Beth Kelley, CPA, CFE
Deputy State Examiner

October 4, 2022

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CLERK-TREASURER
TOWN OF BEVERLY SHORES

CLERK-TREASURER
TOWN OF BEVERLY SHORES
AUDIT RESULTS AND COMMENTS

FINANCIAL REPORTING

A similar comment also appeared in prior Reports B52091, entitled *INTERNAL CONTROLS*; and B56212, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

The Town prepared and submitted the financial information into the Indiana Gateway for Government Units financial reporting system, which was the source for the Financial Statement, Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances, and the Schedule of Leases and Debt.

An oversight and review process had been designed and implemented; however, it was not effective as it did not prevent, or detect and correct, the following errors prior to submission:

Financial Statement and Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances

The 2017 GO Bonds Project Fund receipts and disbursements were both overstated by \$370,595 due to investment activity being reported.

Schedule of Leases and Debt

The debt schedule did not include the 2017 GO Bond ending balance of \$805,000.

Audit adjustments were proposed, approved by the Town, and made to the Financial Statement; Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances; and Schedule of Leases and Debt.

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 BEVERLY SHORES
AUDIT RESULTS AND COMMENTS
(Continued)

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](#)."

ACCOUNTING FOR CORONAVIRUS RELIEF FUNDS

Condition and Context

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

The Town did not account for non-payroll expenditures in accordance with one of the frameworks prescribed in the Directive. Reimbursement for non-payroll expenditures was receipted into the CARES fund. A claim was then created against the CARES fund in favor of the General fund. However, the expenditures upon which the reimbursement was based should have been reversed and recorded in the CARES fund, which would have allowed for the proper processing and recording of the CARES grant activity and the reinstatement of the cash balance and appropriation of the originating fund.

Additionally, the Town made a transfer from its CARES fund to the General fund as outlined in the Directive for payroll expenses; however, the transfer was made prior to the adoption of an ordinance or resolution.

Criteria

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

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.** . . .

Transactions for other permitted costs reimbursed by IFA must be accounted for through one of the following prescribed frameworks.

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

Framework One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. Reimbursed disbursements originally incurred in another fund will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the fund cash balance and re-appropriate the 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 original 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 these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

(State Examiner Directive 2020-3)

CLERK-TREASURER
TOWN OF BEVERLY SHORES
EXIT CONFERENCE

The contents of this report were discussed on October 4, 2022, with Ellen Hundt, Clerk-Treasurer; Geof R. Benson, President of the Town Council; John M. Blackburn, Town Council member; Susan Loeb, Town Council member; C. Matrona Malik, Town Council member; and Donna Norkus, Town Council member.