

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF SELMA

DELAWARE COUNTY, INDIANA

January 1, 2017 to December 31, 2020



**FILED**

11/04/2022



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jennifer Devine	01-01-17 to 12-31-22
President of the Town Council	Randy Vorhees	01-01-17 to 06-04-18
	Breque VanHorn	06-05-18 to 08-10-20
	Tim Smith	08-11-20 to 12-31-21
	Randy Vorhees	01-01-22 to 12-31-22



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF SELMA, DELAWARE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Selma (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

October 5, 2022

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CLERK-TREASURER  
TOWN OF SELMA

CLERK-TREASURER  
TOWN OF SELMA  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER RECEIPTS**

*Condition and Context*

Deficiencies in the internal control system of the Town related to receipts were identified. The Town had not separated incompatible activities related to receipts. The Town had not established an effective system of internal controls over receipts.

Receipts are received, deposited, and posted to the accounting records, by the Clerk-Treasurer, with no oversight other than approval of the bank reconciliation by the Town Council.

*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 FOR CORONAVIRUS RELIEF FUNDS**

*Condition and Context*

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

The Town requested \$26,798 in reimbursements for public safety payroll costs incurred during the period of March 30, 2020 through October 30, 2020. The reimbursement from the Indiana Finance Authority, in the amount of \$26,798, was receipted into the established Cares Act IFA Relief fund (CARES fund) on December 8, 2020. A reversing entry was not made from the General Fund for the expenses reimbursed to reinstate the General Fund's cash balance and to zero out the CARES fund balance.

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

In addition, a claim was not prepared against the separate CARES fund for the reimbursed amount in favor of the General Fund. The cash balance in the Cares fund was \$26,798 at December 31,2020.

On March 11, 2021, the balance in the CARES fund was claimed to the General Fund as outlined in the Town's resolution passed in March 2021.

*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)

CLERK-TREASURER  
TOWN OF SELMA  
EXIT CONFERENCE

The contents of this report were discussed on October 5, 2022, with Jennifer Devine, Clerk-Treasurer, and Randy Vorhees, President of the Town Council.