

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF HEBRON

PORTER COUNTY, INDIANA

January 1, 2020 to December 31, 2021



FILED

12/05/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jamie Uzelac	01-01-20 to 12-31-22
President of the Town Council	Dave Peeler	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 HEBRON, PORTER COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Hebron (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.

A handwritten signature in blue ink that reads "Beth Kelley".

Beth Kelley, CPA, CFE
Deputy State Examiner

November 9, 2022

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CLERK-TREASURER
TOWN OF HEBRON

CLERK-TREASURER
TOWN OF HEBRON
AUDIT RESULTS AND COMMENTS

FINANCIAL REPORTING

A similar comment also appeared in the prior Reports B50782, entitled *FINANCIAL TRANSACTIONS AND REPORTING*; and B56457, entitled *INTERNAL CONTROLS*.

Condition and Context

There were deficiencies in the internal control system for the Town related to financial reporting since the Town had not separated incompatible activities.

The Town did not have a system of internal control in place to prevent, or detect and correct, errors in the preparation of the financial statement. The Clerk-Treasurer entered the financial information into the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statement, without an oversight or review process to ensure its accuracy.

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. . . ."

CAPITAL ASSETS

The same comment also appeared in prior Report B56457.

Condition and Context

The Town did not provide a complete detailed listing of all capital assets owned by the Town, nor has the Town conducted its yearly inventory counts per the Town's capital asset policy.

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

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)

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](#)."

CORONAVIRUS RELIEF FUND (CRF)

Condition and Context

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

The Town receipted the reimbursement from the Indiana Finance Authority (IFA) for payroll costs, totaling \$118,841, into the Cares Act Grant Fund (CARES fund). The Town then issued a claim from the CARES fund to the CEDIT Fund, the fund that originally incurred the expenses for \$31,628, instead of posting reversing entries. This caused the appropriation in that fund to not be reinstated.

The CARES fund had a zero balance as of December 31, 2020.

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.

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

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 HEBRON
EXIT CONFERENCE

The contents of this report were discussed on November 9, 2022, with Jamie Uzelac, Clerk-Treasurer; Dave Peeler, President of the Town Council; and Susan Alyea, Consultant.