

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF SHIRLEY

HANCOCK COUNTY, INDIANA

January 1, 2021 to December 31, 2021



FILED
12/29/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Teresa Hester	01-01-21 to 12-31-22
President of the Town Council	David Messer	01-01-21 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE TOWN OF SHIRLEY, HANCOCK COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Shirley (Town), for the period from January 1, 2021 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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

November 30, 2022

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CLERK-TREASURER
TOWN OF SHIRLEY

CLERK-TREASURER
TOWN OF SHIRLEY
AUDIT RESULT AND COMMENT

PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition and Context

The Town had not established internal control over the federal award information entered in the Indiana Gateway for Government Units financial reporting system, which was the source of the Town's Schedule of Expenditures of Federal Awards (SEFA). The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the SEFA.

The SEFA contained the following errors:

1. The Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii expenditures were not included on the SEFA, resulting in an understatement of \$845,336.
2. The Edward Byrne Memorial Justice Assistance Grant Program expenditures were not included on the SEFA, resulting in an understatement of \$39,960.
3. The Coronavirus Relief Fund expenditures from 2020 were included on the SEFA in error, resulting in an overstatement of \$27,869.

Audit adjustments were proposed, accepted by the Town, and made to the SEFA presented in the Federal Compliance Audit Report for the Town.

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. . . ."

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](#)."

CLERK-TREASURER
TOWN OF SHIRLEY
EXIT CONFERENCE

The contents of this report were discussed on November 30, 2022, with Teresa Hester, Clerk-Treasurer, and Becky Perkins, Vice President of the Town Council.