

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

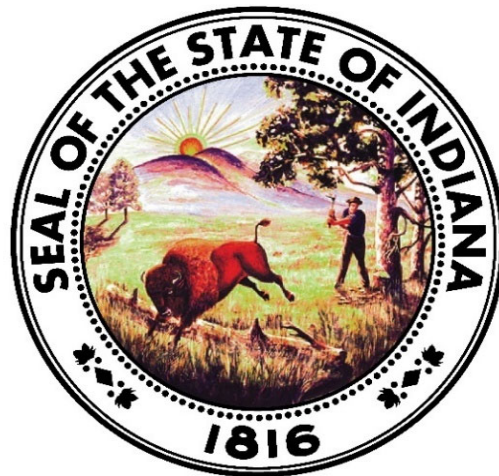
SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF HARTSVILLE

BARTHOLOMEW COUNTY, INDIANA

January 1, 2018 to December 31, 2021



FILED
02/07/2023

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Capital Assets	6
Annual Financial Report.....	6-8
Bank Account Reconciliations.....	8
Internal Controls over Receipts.....	9
Exit Conference	10

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Nancy Berkenstock Tresa Meier Natalie Berkenstock	01-01-18 to 12-31-19 01-01-20 to 09-30-20 10-01-20 to 12-31-22
President of the Town Council	Steven Rucker	01-01-18 to 12-31-22
Utility Office Manager	Mary McGuire Jim Davis	01-01-18 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 HARTSVILLE, BARTHOLOMEW COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Hartsville (Town), for the period from January 1, 2018 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.

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

Beth Kelley, CPA, CFE
Deputy State Examiner

December 21, 2022

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CLERK-TREASURER
TOWN OF HARTSVILLE

CLERK-TREASURER
TOWN OF HARTSVILLE
AUDIT RESULTS AND COMMENTS

CAPITAL ASSETS

Condition and Context

The Town reported the Capital Asset Schedule in the Indiana Gateway for Government Units financial reporting system; however, capital assets records were not presented to support the amounts reported. Additionally, a capital asset policy that detailed the threshold at which an item is considered a capital asset was not presented, nor had a physical inventory been taken in the last 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)

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](#)."

ANNUAL FINANCIAL REPORT

A similar comment appeared in prior Report B51463, entitled *CONDITION OF RECORDS, INTERNAL CONTROLS*.

Condition and Context

The Town had not established a system of internal control over financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the Town's Annual Financial Report (AFR). There was no evidence of an oversight, review, or approval process to ensure the accuracy prior to submission.

As a result, the AFRs contained the following errors:

1. Not all funds were reported on the AFR.
 - For 2018 and 2019, the Wastewater Bond and Interest fund was omitted from the AFR. This resulted in the beginning cash and investment balance to be understated by \$25,451 and \$25,814, receipts by \$28,624 and \$28,556, and disbursements by \$28,261 and \$27,913, for 2018 and 2019, respectively.

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

- For 2018 and 2019, the Wastewater Debt Reserve fund was omitted from the AFR. This resulted in the beginning cash and investment balance to be understated by \$28,888 and \$29,595, and receipts by \$707 and \$620, for 2018 and 2019, respectively.
 - For 2018, the Community Crossing fund was omitted from the AFR. This resulted in both the receipts and disbursements being understated by \$36,661.
 - For 2019, the Motor Vehicle Highway Restricted fund was omitted from the AFR. This resulted in the receipts being understated by \$7,790.
2. Receipts and disbursements reported for some funds did not agree to the funds ledger.
- Amounts reported for the General fund receipts and disbursements for 2018, 2019, and 2020 did not agree to the funds ledger. This resulted in receipts being understated by \$7,877 and \$1,747 for 2018 and 2019, respectively; disbursements being understated by \$7,874, \$3,865 for 2018 and 2019, respectively; and disbursements being overstated by \$217 for 2020.
 - Amounts reported for the Motor Vehicle Highway fund receipts and disbursements for 2018 and 2019 did not agree to the funds ledger. This resulted in receipts being overstated by \$7,780 for 2019 and the disbursements being understated by \$315 and overstated by \$757 for 2018 and 2019, respectively.

Audit adjustments were proposed, accepted by the Town, and made to the financial statements and to the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances presented in this report.

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 HARTSVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

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BANK ACCOUNT RECONCILIATIONS

A similar comment appeared in prior Report B51463, entitled *BANK ACCOUNT RECONCILIATIONS*.

Condition and Context

The Clerk-Treasurer prepared the monthly bank reconciliations, and the Town Council approved the bank reconciliations; however, internal controls over the monthly reconciliation of the depository balance to the financial records were not effective.

A monthly reconciliation including all depository balances and all funds of the Town Utility was not performed. There were depository accounts held at the Bank of New York that had not been included.

Criteria

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Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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

INTERNAL CONTROLS OVER RECEIPTS

A similar comment appeared in prior Report B51463, entitled *INTERNAL CONTROLS*.

Condition and Context

The Town had not established a system of internal control over receipts.

Town Receipts

The Clerk-Treasurer was responsible for collecting, recording, and depositing Town receipts. No review or reconciliation of the daily receipt collections to the bank deposit had been performed. There was no other review, oversight, or approval process implemented.

Utility Receipts

The Utility Clerk was responsible for collecting utility customer collections, recording customer collections to their accounts, and depositing the customer collections. There was no documentation presented of an oversight or review process over the customer collections to ensure that all collections were accurately recorded to the customer accounts and deposited.

Criteria

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CLERK-TREASURER
TOWN OF HARTSVILLE
EXIT CONFERENCE

The contents of this report were discussed on December 21, 2022 with Natalie Berkenstock, Clerk-Treasurer; Kimberly Sweet, Deputy Clerk-Treasurer; and Steven Rucker, President of the Town Council.