



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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June 9, 2023

TO: THE OFFICIALS OF THE TOWN OF ELIZABETHTOWN, BARTHOLOMEW COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Town of Elizabethtown (Town), Bartholomew County, for the period of January 1, 2019 to December 31, 2020, to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

Management is responsible for preparing and maintaining its accounting records and related documents, as well as compliance with applicable state laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

The Town's Annual Financial Reports filed by management can be found on the Gateway Website: www.gateway.ifionline.org.

The Comments contained herein describe the identified reportable instances of noncompliance found as a result of the procedures we performed. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Comments

INTERNAL CONTROLS

The same comment appeared in prior Report B55067.

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to the activities listed below. The failure to establish and maintain internal controls could have enabled material misstatements or irregularities to remain undetected.

Town, Wastewater Utility, and Stormwater Management Funds

Town officials did not have internal controls, including segregation of duties, over bank reconciliations, receipts, adjustments, corrections, and the financial close and reporting process for the Annual Financial Report. There was no evidence of a consistent review or approval process.

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. . . ."

PAYMENT OF CLAIMS PRIOR TO TOWN COUNCIL ALLOWANCE

The same comment appeared in prior Report B55067.

Condition and Context

There were multiple instances where the payment of claims was made prior to allowance by the Town Council.

Criteria

Indiana Code 36-5-4-12 states:

"(a) The legislative body of a town may adopt an ordinance allowing money to be disbursed under this section for lawful town purposes.

(b) Notwithstanding [IC 5-11-10](#), with the prior written approval of the board having jurisdiction over allowance of the claim, a town fiscal officer may make claim payments in advance of a board allowance for the following types of expenses if the town legislative body has adopted an ordinance under subsection (a):

- (1) Property or services purchased or leased from:
 - (A) the United States government; or
 - (B) an agency or a political subdivision of the United States government.
- (2) License fees or permit fees.
- (3) Insurance premiums.
- (4) Utility payments or utility connection charges.
- (5) Federal grant programs if:

- (A) advance funding is not prohibited; and
 - (B) the contracting party provides sufficient security for the amount advanced.
- (6) Grants of state funds authorized by statute.
 - (7) Maintenance agreements or service agreements.
 - (8) Lease agreements or rental agreements.
 - (9) Principal and interest payments on bonds.
 - (10) Payroll.
 - (11) State, federal, or county taxes.
 - (12) Expenses that must be paid because of emergency circumstances.
 - (13) Expenses described in an ordinance.
- (c) Each payment of expenses under this section must be supported by a fully itemized invoice or bill and certification by the fiscal officer.
 - (d) The town legislative body or the board having jurisdiction over the allowance of the claim shall review and allow the claim at the body's or board's next regular or special meeting following the preapproved payment of the expense."

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

The Town had not created the Motor Vehicle Highway (MVH) Restricted sub-fund within its MVH Fund.

Criteria

The purpose of this Directive is to authorize and require . . . cities, and towns that receive distributions from the State Motor Vehicle Highway Account to **create a new sub-fund within the MVH Fund** to properly manage and account for the usage restrictions that were included in House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018. (State Examiner Directive 2018-2)

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

Town employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the Town, had not received training over internal control standards that was developed or approved by the Indiana State Board of Accounts.

Criteria

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Town certified on the Indiana Gateway for Government Units financial reporting system that all personnel defined by Indiana Code 5-11-1-27(c) had received training concerning the internal control standards adopted by the Town; however, no evidence was presented for review that all personnel had received training concerning the internal control standards.

Criteria

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](#)."

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

The Schedule of Cash and Investment Balances - Regulatory Basis is presented as other information. It has not been subjected to any auditing procedures, and, accordingly, we do not express an opinion or provide any assurance on it.

SCHEDULE OF CASH AND INVESTMENT
BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2020

Fund	Cash and Investments 12-31-20
GENERAL FUND	\$ 78,975
MOTOR VEHICLE HIGHWAY	33,452
LOCAL ROAD & STREET	10,687
RAINY DAY	3,521
CUM CAP IMP - CIG TAX	3,504
STATE GRANT	1
PAYROLL	1,527
NONREVERTING ORDINANCE VIOLATIONS	2,603
SEWAGE UTILITY OPERATING	85,657
STORMWATER MGMT FEES	34,799
	<hr/>
Total	<u>\$ 254,726</u>

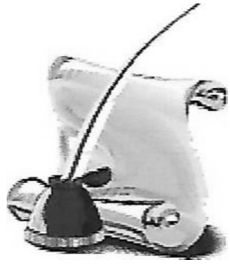
Any Official Response to the Comments, incorporated within this report, was not verified for accuracy.

The contents of this report were communicated to Shirley J. Nugent, Clerk-Treasurer, and Levi W. Brown II, Town Council member, on May 30, 2023.

Respectfully,



Beth Kelley, CPA, CFE
Deputy State Examiner



TOWN OF ELIZABETHTOWN
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June 5, 2023

Response to Audit 2023 for period 1-1-2019 to 12-31-2020

Internal Controls: Outlined in Ordinance 37. Current Clerk Treasurer, Shirley J. Nugent, copies of all bank statements, Accounts Payable Register and Fund Reports monthly at the Elizabethtown Council Business Meeting. The CT copy is signed by all Council Members to prove they have received a copy. CT will answer any questions they have pertaining to this.

The Town of Elizabethtown Sewer Clerk handles all outgoing sewer bills and incoming payments, makes deposits to bank. Clerk Treasurer, verifies all deposits in bank and enters information into the Boyce Accounting System.

Payments of Claims prior to Town Council Allowance: After the last audit, the Clerk Treasurer ordinance, Ordinance 25A was adopted on January 4, 2021 to be in compliance with all items mentioned. If for any reason this ordinance does not meet the requirements mentioned, please advise, as amendment was made in accordance (to the best of our knowledge) with requirements mentioned at that time.

Motor Vehicle Highway Restricted Fund: Current Clerk Treasurer found out about this during this audit. It was discussed at the May work session and Boyce will be contacted to do so after Council votes in June meeting.

Training on Internal Control Standards: Current CT was trained by personnel from the Bartholomew County Auditor's office. Documentation of this can be obtained if needed. In addition, current CT will be attending training seminars offered by AIM for continuing education.

Certification on Internal Control Standards: Current Clerk Treasurer will have a certificate signed off on and a copy will be placed in everyone's employee file verifying the above-mentioned steps are being met.

Capital Assets: Current Clerk Treasurer has started a capital asset list; it will be completed when the sewer project is completed in short time and a complete list of equipment and values. A capital asset policy has been drafted and is being sent to Council Members prior to June business meeting in hopes that any questions will be brought forth in the June work session to obtain answers or suggest changes needed.

Appropriations: the 2019 annual budget was over, budget. The previous clerk treasurer was supposed to go for added appropriations and it was brought up in several meetings, at least 3. Current Clerk Treasurer is very conscious and attentive to budget and spending.

Annual Financial Report: filed late for 2020. While this is not an excuse, it took the current clerk treasurer several months to enter vouchers, documents etc. into the accounting system. Boyce had to set up and provide her access to the system. All since this time have been submitted in a timely manner.

Respectfully,
Shirley J. Nugent, Clerk Treasurer