

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

SUPPLEMENTAL REPORT  
OF

UTILITY OFFICE MANAGER  
CITY OF MARTINSVILLE  
MORGAN COUNTY, INDIANA

January 1, 2013 to December 31, 2014



**FILED**  
10/25/2016



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### SCHEDULE OF OFFICIALS

| <u>Office</u>                             | <u>Official</u>                         | <u>Term</u>                                  |
|---|---|--|
| Clerk-Treasurer                           | Mary Lou Peden<br>Valerie Hugart        | 01-01-12 to 12-13-13<br>12-14-13 to 12-31-19 |
| Mayor                                     | Phil R. Deckard, Sr.<br>Shannon E. Kohl | 01-01-12 to 12-31-15<br>01-01-16 to 12-31-19 |
| President of the Board of<br>Public Works | Phil R. Deckard, Sr.<br>Shannon E. Kohl | 01-01-12 to 12-31-15<br>01-01-16 to 12-31-16 |
| President of the Common Council           | Eric Bowlen                             | 01-01-13 to 12-31-16                         |
| Superintendent of Utilities               | Kevin Broyer                            | 01-01-13 to 12-31-16                         |
| Utility Office Manager                    | Mary Malone<br>Mae Cooper               | 01-01-13 to 06-07-14<br>06-08-14 to 12-31-16 |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF MARTINSVILLE, MORGAN COUNTY, INDIANA

This report is supplemental to our examination report of the City of Martinsville (City), for the period from January 1, 2013 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify and Examination Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement Examination Report of the City, which provides our opinion on the City's financial statement. 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 Examination 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 Examination Results and Comments, incorporated within this report, was not verified for accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

March 8, 2016

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UTILITY OFFICE MANAGER  
CITY OF MARTINSVILLE

UTILITY OFFICE MANAGER  
CITY OF MARTINSVILLE  
EXAMINATION RESULTS AND COMMENTS

***PENALTIES, INTEREST, AND OTHER CHARGES***

The Water Utility paid penalties and interest to the Indiana Department of Revenue in the amount of \$687 because the Water Utility did not remit utility receipts tax payments on a timely basis. The utility receipts tax quarterly estimated payment for the fourth quarter of 2013 was not paid until the annual return was filed in April 2014.

A similar comment has been in the prior three Reports for the Water Utility.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to Indiana Code 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest, or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Town, Chapter 7)

We requested Mary Malone, former Utility Office Manager, to reimburse the Water Utility \$687 for penalties and interest paid. (See Summary of Charges, page 10)

***OFFICIAL BOND***

Mary Malone, former Utility Office Manager, was covered under a Surety Bond Indiana Public Officials Bond (Bond No. 66037616) with Auto Owner's Insurance Company for the term beginning June 16, 2012, and ending June 15, 2013, and for the term beginning June 15, 2013, and ending June 14, 2014. The coverage amount was \$20,000 for each year.

***DEPOSITS***

Utility collection receipts were deposited later than the next business day in 16 of the 24 days tested.

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."



UTILITY OFFICE MANAGER  
CITY OF MARTINSVILLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**DELINQUENT WASTEWATER ACCOUNTS**

Delinquent wastewater fees and penalties have not been recorded with the County Recorder, nor were they certified to the County Auditor which would result in a lien against the property, since February 2010. An aged listing of delinquent accounts for December 31, 2014, was not available. Officials produced an aged listing as of November 30, 2014, which indicated the balance of delinquent accounts 90 days and over was \$194,075.

A similar comment appeared in prior Report B43037.

Indiana Code 36-9-23-33 states in part:

"(c) . . . the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
  - (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.
  - (B) A description of the premises, as shown by the records of the county auditor.
  - (C) The amount of the delinquent fees, together with the penalty.
- (2) An individual instrument for each lot or parcel of real property on which the fees are delinquent.

(d) The officer shall record a copy of each list or each individual instrument with the county recorder. . . .

(f) . . . Using the lists and instruments prepared under subsection (c) and recorded under subsection (d), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (d), certify to the county auditor a list of the unpaid liens for collection with the next May installment of property taxes . . . "

**SALES TAX REPORTING AND PAYMENTS**

The Water Utility did not accurately calculate and/or pay sales taxes to the Indiana Department of Revenue for 11 of the 12 months during the year 2013, and 3 of the 12 months during the year 2014.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

UTILITY OFFICE MANAGER  
CITY OF MARTINSVILLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest, or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***PUBLIC RECORDS RETENTION***

The Utility Aged Accounts Receivable ledger for two of the five months selected for testing was not presented for examination. Each billing cycle had a binder that had many different reports for the billing date; however, the same reports were not being ran or printed and retained for each billing cycle. The Utility Manager indicated that for 2015, all reports are being printed and retained for examination.

Indiana Code 5-15-6-3(f), concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

***BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS***

Accounts receivable adjustments from the History Transaction Report by Type were reviewed for the Water and Wastewater Utilities for 2013 and 2014. During 2013, there were 17 adjustments made to water and wastewater customer accounts totaling \$11,388 and \$40,524, respectively. During 2014, there were 58 adjustments reported to water and wastewater customer accounts totaling \$80,530 and \$232,521, respectively.

The accounts had been adjusted for water leaks and meter consumption misreading's, many of these adjustments were supported by adequate documentation verifying the reason. There were 6 accounts in 2013 and 13 accounts in 2014 that were adjusted without any supporting documentation regarding the reason the adjustment was made to the account.

In addition, documentation was not provided for examination showing the Board of Works had approved the utility adjustments.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UTILITY OFFICE MANAGER  
CITY OF MARTINSVILLE  
EXIT CONFERENCE

The contents of this report were discussed on March 8, 2016, with Mary Malone, former Utility Office Manager.

The contents of this report were discussed on March 8, 2016, with Diane Selch, Assistant Utility Office Manager; Shannon Kohl, Mayor; Terry Buster, Common Council member; Mary Lou Peden, former Clerk-Treasurer; Valerie Hugart, Clerk-Treasurer; Kristopher A. Fuller, Attorney for the Clerk-Treasurer; and Dale S. Coffey, City Attorney.

UTILITY OFFICE MANAGER  
CITY OF MARTINSVILLE  
SUMMARY OF CHARGES

|   | <u>Charges</u> | <u>Credits</u> | <u>Balance Due</u> |
|---|----------------|----------------|--------------------|
| Mary Malone, former Utility Office Manager:<br>Penalties, Interest, and Other Charges, page 6<br>2014 | \$ 687         | -              | \$ 687             |
|   | 687            | -              | 687                |

This report was forwarded to the Office of the Indiana Attorney General.

AFFIDAVIT

STATE OF INDIANA )

Johnson )

We, Karen Braun and Lisa Dungan, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Utility Office Manager, City of Martinsville, Indiana, for the period from January 1, 2013 to December 31, 2014, is true and correct to the best of our knowledge and belief.

Karen Braun  
Field Examiner

Lisa Dungan  
Field Examiner

Subscribed and sworn to before me this 14 day of April, 2014



LISA EDWARDS  
NOTARY PUBLIC - INDIANA  
COMMISSION #676216  
JOHNSON COUNTY  
MY COMM. EXP. JANUARY 31, 2024

Lisa Edwards  
Notary Public

My Commission Expires: 1-31-2024

County of Residence: Johnson