



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

00000514A

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](http://www.in.gov/sboa)

August 31, 2023

TO: THE OFFICIALS OF THE TOWN OF MECCA, PARKE 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 Mecca (Town), Parke County, for the period of January 1, 2018 to December 31, 2022, 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](http://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***

***ANNUAL FINANCIAL REPORT - LATE SUBMISSION***

***Condition and Context***

The Town's Annual Financial Reports for 2019, 2020, 2021, and 2022 were not filed electronically until July 6, 2020, April 15, 2021, March 30, 2022, and May 15, 2023, which were 127, 44, 28, and 74 days past the due date, respectively, for submitting the reports.

***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](#)."

## **TOWN COUNCIL REORGANIZATION**

### *Condition and Context*

The President of the Town Council was elected on May 8, 2018, but the term for which he was elected was not stated. In subsequent years of the audit period, there was no documentation of an election of officers.

### *Criteria*

Indiana Code 36-5-2-7 states: "The legislative body shall select one (1) of its members to be its president for a definite term, which may not exceed the member's term of office as a member of the legislative body."

## **FUND SOURCES AND USES**

### *Condition and Context*

Distributions received from the County Auditor in 2018, 2020, 2021, and 2022 were not shown in the proper funds on the Town's Annual Financial Report.

### *Criteria*

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

## **SUPPORTING DOCUMENTATION**

### *Condition and Context*

The Town did not provide supporting documentation for 4 of the 47 disbursements selected for testing compliance with laws and regulations related to disbursements.

### *Criteria*

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

## **CONTRACTS**

### *Condition and Context*

The Town was unable to provide written contracts to support disbursements made for pest control, fire protection, and special projects, totaling \$62,452, during the engagement period.

### *Criteria*

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

## **BANK ACCOUNT RECONCILIATIONS**

The same comment also appeared in prior Reports B43151 and B52079.

### *Condition and Context*

Depository reconciliations of the fund ledger balances to the bank account balances were conducted, and the following deficiencies were noted:

- Monthly reconciliations were not prepared for the donation account from January 2018 to December 2022.
- Monthly reconciliations for the main bank account were attempted for December 2018 and January, April, and August 2019, but adjusted bank balances were not reconciled to the cash and investment balances. Reconciliations were not prepared for any other months of the audit period.
- At December 31, 2018, 2019, 2020, 2021, and 2022, the cash and investments ending balance was \$1,257 less than, \$28,393 more than, \$166,591 more than, \$71,120 less than, and \$33,081 more than the adjusted bank balance, respectively.

### *Criteria*

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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

## **100R - CERTIFIED REPORT FILED AFTER DUE DATE**

### *Condition and Context*

The Town's Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100R) for 2019, 2020, 2021, and 2022 were not filed electronically until February 21, 2020, February 1, 2021, March 30, 2022, and May 11, 2023, respectively, which were 21 days, 1 day, 58 days, and 100 days past the due date, respectively.

### *Criteria*

Indiana Code 5-11-13-1(b) states:

"Each audited entity shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of the officers, employees, and agents of the audited entity. The report shall indicate the respective duties and compensation of each officer, employee, and agent of the audited entity. The audited entity shall file the report in the office of the state examiner of the state board of accounts. The report must also indicate whether the political subdivision offers a health plan, a pension, and other benefits to full-time and part-time employees. However, no more than one (1) report covering the same officers, employees, and agents need be made from the state or any county, city, town, township, or school unit in any one year. The certification must be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

## **ANNUAL FINANCIAL REPORT**

### *Condition and Context*

The financial statement information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report (AFR) and the financial statements, contained the following deficiencies:

- The beginning balance of the General fund was understated by \$2,645 in year 2021.
- The beginning cash and investment balances of the Town were understated by \$1,439 in the year 2022.
- The cash and investments ending balances reported in the AFR at December 31, 2018, 2019, 2020, 2021, and 2022, was \$651 more than, \$24,715 less than, \$156,023 less than, \$72,561 more than, and \$157,985 less than the fund ledger balance, respectively.

Adjustments were proposed, accepted by the Town, and made to the financial statements.

### *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](#)."

## **TRAINING ON INTERNAL CONTROL STANDARDS**

### *Condition and Context*

The Town Council did not ensure that all applicable personnel had received training concerning the internal control standards and procedures adopted by the Town.

### *Criteria*

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

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

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

## **ADOPTION OF INTERNAL CONTROL STANDARDS**

The same comment also appeared in prior Report B52079.

### *Condition and Context*

The Town did not provide adopted internal control standards, which included the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts.

### *Criteria*

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

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

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

## **CAPITAL ASSETS**

### *Condition and Context*

The Town had not adopted a capital assets policy during the engagement period. In addition, the Town had not conducted a physical inventory or kept a record of its capital assets.

### *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)

## **MONTHLY AND ANNUAL UPLOADS**

### *Condition and Context*

The files and governmental unit information that are required to be uploaded monthly include the bank reconciliements, approved Town Council minutes, and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

Annual upload requirements include the year-end bank statement, year-end outstanding check list, year-end investments, detail of receipt activity, detail of disbursement activity, current year salary ordinance, and an annual vendor history report.

The Town did not comply with the State Examiner Directive and failed to upload any of the monthly and annual files on the Indiana Gateway for Government Units financial reporting system for 2018 through 2022.

### *Criteria*

Beginning with July 2018 files, which will be due September 15, 2018, **all** cities, towns, townships, libraries, and special districts will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. (State Examiner Directive 2018-1)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

## **COMPENSATION**

The same comment also appeared in prior Report B52079.

### *Condition and Context*

The Town did not provide an annual salary resolution or schedule, Town Council minutes, or other documentation setting and approving the salaries of Town officers during the engagement period.

### *Criteria*

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

## **CERTIFICATION ON INTERNAL CONTROL STANDARDS**

### *Condition and Context*

The Town certified on the Indiana Gateway for Government Units financial reporting system that the Town had adopted and trained on internal control standards in 2018, 2019, 2020, 2021, and 2022. However, evidence of the adoption of and training on internal control standards was not presented during the engagement.

### *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](#)."

## **TIMELY RECORDING**

### *Condition and Context*

Grant funds received in December 2020 were not recorded at all on the fund ledger.

### *Criteria*

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 51-15-1-1.

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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  
As of December 31, 2022

Fund	Cash and Investments 12-31-22
General	\$ (16,129)
Mh	56,136
L R & S	17,498
Parks & Recreation Fund	16,359
Edit Fund	6,984
CCIF	13,851
Public Safety Fund	2,753
Donation	24,374
	<u>-</u>
Total	<u>\$ 121,825</u>

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

The contents of this report were communicated to Thomas E. Fortner, President of the Town Council; Kelsey Hoover, Clerk-Treasurer; and Kaitlyn Morgan, Town Council member and former Clerk-Treasurer, on August 4, 2022.

Respectfully,



Beth Kelley, CPA, CFE  
Deputy State Examiner