

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MULBERRY

CLINTON COUNTY, INDIANA

January 1, 2018 to December 31, 2022



**FILED**

11/09/2023



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
Monthly and Annual Uploads .....	6-7
American Rescue Plan Act (ARPA) Transfers.....	7
Motor Vehicle Highway (MVH) - Restricted Fund .....	7
Financial Transactions and Reporting .....	7-9
Annual Financial Report.....	9-10
Exit Conference .....	11

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Paula A. Bennett	01-01-18 to 12-31-23
President of the Town Council	Kelley T. Burkhalter	01-01-18 to 06-15-21
	Dave Jones	06-16-21 to 10-11-22
	Rick Bennett	10-12-22 to 12-31-22
	Dave Jones	01-01-23 to 12-31-23



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

TO: THE OFFICIALS OF THE TOWN OF MULBERRY, CLINTON COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Mulberry (Town), for the period from January 1, 2018 to December 31, 2022. 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 the 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/](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 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.

Beth Kelley, CPA, CFE  
Deputy State Examiner

November 1, 2023

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CLERK-TREASURER  
TOWN OF MULBERRY

CLERK-TREASURER  
TOWN OF MULBERRY  
AUDIT RESULTS AND COMMENTS

**CAPITAL ASSETS**

*Condition and Context*

The Town did not properly maintain a complete listing of all capital assets owned which reflected their acquisition value. Additionally, the Town did not complete a physical inventory at least every 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)

**MONTHLY AND ANNUAL UPLOADS**

*Condition and Context*

The files and governmental unit information that are required to be uploaded monthly include the bank reconciliations, 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 failed to upload any required monthly uploads for 2022. No Town Council minutes were uploaded during the audit period. In addition, the Town failed to upload any required annual uploads for the audit period except, the detail of receipts activity, detail of disbursement activity, and the funds ledger were uploaded for 2020 and 2021.

*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. . . . monthly files must be uploaded no later than the 15<sup>th</sup> day of the second succeeding month, i.e., August monthly files are due on October 15. . . .

Annual files are due to be uploaded on Gateway no later than March 1, 2019. Thereafter, annual files must be uploaded no later than March 1 for the prior year end unless the SBOA establishes a different date. . . .

(State Examiner Directive 2018-1)

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

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)

**AMERICAN RESCUE PLAN ACT (ARPA) TRANSFERS**

*Condition and Context*

The Town established the ARP-Grant Fund to account for the receipts and disbursements related to funds received through the American Rescue Plan Act (ARPA). On April 12, 2022, and November 10, 2022, the Town transferred \$137,721 and \$138,242, respectively, from the ARP-Grant Fund to the Trust Indiana fund, which was not in compliance with Amended State Examiner Directive 2021-1.

*Criteria*

To ensure accountability and transparency of the use of these funds, all distributions must be made from the ARP grant fund; money from the ARP fund may not be transferred to another fund of the county, city, or town. (Amended State Examiner Directive 2021-1)

**MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND**

*Condition and Context*

In addition to the required amount of motor vehicle highway distributions required to be receipted to the MVH-R fund (MVH Restricted fund), the Town also receipted Community Crossing Grant money into this fund. Disbursements from the MVH Restricted fund are required to be used for the construction, reconstruction, and preservation of the Town's highways. A portion of the Community Crossings Grant money that was transferred was used for sidewalks and the removal of trees which would not qualify under the statutory restrictions of the MVH Restricted fund.

*Criteria*

Indiana Code 8-14-1-5(c) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

**FINANCIAL TRANSACTIONS AND REPORTING**

A similar comment appeared in the immediately prior Report B50589, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

*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 receipts, and financial close and reporting.

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

*Receipts*

The Town had not designed or implemented a system of internal controls that ensured receipts were recorded timely and to the proper fund. One employee collected funds, prepared the deposit, made the deposit, and recorded the receipts without oversight, review, or an approval process.

*Financial Close and Reporting*

The Town had not designed or implemented a system of internal controls that ensured amounts reported on the financial statements were accurate. The Clerk-Treasurer entered the information into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report and financial statements, without an oversight, review, or approval process. The following errors were noted related to financial close and reporting:

1. The Community Crossing Grant fund was omitted for the years ended December 31, 2018 and 2019, which understated receipts and disbursements each by \$286,883 and \$126,302, respectively.
2. The Wastewater Utility Debt Reserve fund was omitted for the year ended December 31, 2022, which understated the beginning and ending cash and investments balances by \$134,880.

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](#)."

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. . . .

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

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. . . ."

## **ANNUAL FINANCIAL REPORT**

### *Condition and Context*

Required supplementary information and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The Town had not established effective internal controls over the AFR information entered into Gateway, which resulted in the following errors:

#### *Required Supplementary Information*

The Town failed to properly review the financial information prepared and submitted into Gateway. The Clerk-Treasurer entered and submitted the financial information into Gateway without an oversight, review, or approval process.

Due to the lack of internal controls, the required supplementary information presented for audit included the errors described above in the Financial Transactions and Reporting comment.

Adjustments were proposed, accepted by the Town, and made to the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Required Supplementary Information in the Financial Statements Audit Report of the Town.

#### *Capital Assets*

The capital asset information entered into Gateway could not be verified for the years ended December 31, 2018, 2019, 2020, and 2021, as the Town did not keep a complete listing of capital assets. The capital asset information was not prepared for the year ended December 31, 2022, for the Annual Financial Report in Gateway.

#### *Leases and Debt*

Debt information reported for December 31, 2019 and 2020, was the same as the debt information reported in Gateway for December 31, 2018; the balances outstanding did not reflect principal amounts paid in 2019 and 2020.

### *Criteria*

Indiana Code 5-11-1-4(a) states:

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

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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 MULBERRY  
EXIT CONFERENCE

The contents of this report were discussed on November 1, 2023, with Paula A. Bennett, Clerk-Treasurer; Randy Ravenscraft, Town Council member; and Brandy Brooks, Utility Clerk.