

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MARKLE

HUNTINGTON COUNTY, INDIANA

January 1, 2019 to December 31, 2022



FILED
01/25/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Carolyn Hamilton	01-01-19 to 03-07-20
	(Vacant)	03-08-20 to 03-16-20
	Stephenie Hensley	03-17-20 to 12-31-23
President of the Town Council	Jeff Humbarger	01-01-19 to 04-17-19
	(Vacant)	04-18-19 to 05-08-19
	Mark Hamilton	05-09-19 to 12-31-19
	Aaron McCleary	01-01-20 to 05-17-21
	(Vacant)	05-18-21 to 06-15-21
	Matthew Doss	06-16-21 to 12-31-23
Town Supervisor	Richard Asher	01-01-19 to 12-31-23
Superintendent of Water Utility	Stephen Jeffers	01-01-19 to 12-31-23
Superintendent of Wastewater Utility	Scott Spahr	01-01-19 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF MARKLE, HUNTINGTON COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Markle (Town), for the period from January 1, 2019 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/.

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

December 20, 2023

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CLERK-TREASURER
TOWN OF MARKLE

CLERK-TREASURER
TOWN OF MARKLE
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not established internal controls, which would include appropriated segregation of duties, over receipts and financial close and reporting.

Receipts

The Town had not separated incompatible activities related to receipts. The Clerk-Treasurer and the Utility Clerk were primarily responsible for collecting cash and checks, preparing receipts, making bank deposits, and posting to the Town's financial system without a documented review or other oversight process.

Financial Close and Reporting

The Clerk-Treasurer prepared and submitted the financial information into the Indiana Gateway for Government Units financial reporting system, which is the source of the Annual Financial Report and financial statement. There were no internal controls in place to ensure the accuracy of the financial information prior to submission.

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 MARKLE
AUDIT RESULTS AND COMMENTS
(Continued)

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

Financial and other information are required to be entered annually into the Annual Financial Report via the Indiana Gateway for Government Units (Gateway) financial reporting system. The Town did not provide accurate subsidiary records to support the Schedule of Capital Assets and the Schedule of Payables and Receivables reported in Gateway as of December 31, 2022. The Town has approved the omission of the Schedule of Capital Assets and the Schedule of Payables and Receivables from the Financial Statements Audit Report as Other Information.

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](#)."

FUND SOURCES AND USES - STATE DISTRIBUTIONS

Condition and Context

Some receipts were not receipted into the appropriate funds or amounts. The following errors were identified:

1. A distribution from the State Local Road and Street Account received on December 14, 2021, in the amount of \$1,054, was incorrectly recorded in the Motor Vehicle Highway Restricted fund.
2. Two distributions from the State Cigarette Tax Account received on December 14, 2021, in the amounts of \$1,143 and \$312, were incorrectly recorded in the Motor Vehicle Highway Restricted fund.
3. A distribution from the State Motor Vehicle Highway Account received on December 14, 2021, in the amount of \$3,901, was incorrectly recorded in the Motor Vehicle Highway Restricted fund; however, 50 percent of the distribution should have been posted to the Motor Vehicle Highway fund.
4. A distribution from the State Alcoholic Beverage Commission Account received on July 13, 2022, in the amount of \$566, was incorrectly recorded in the Motor Vehicle Highway Restricted fund.

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

5. A distribution from the State Local Road and Street Account received on July 13, 2022, in the amount of \$1,081, was incorrectly recorded in the Motor Vehicle Highway Restricted fund.
6. A distribution from the State Motor Vehicle Highway Account received on July 13, 2022, in the amount of \$4,175, was incorrectly recorded in the Motor Vehicle Highway Restricted fund; however, 50 percent of the distribution should have been posted to the Motor Vehicle Highway fund.
7. Two distributions from the State Cigarette Tax Account received on December 15, 2022, in the amounts of \$949 and \$259, were incorrectly recorded in the Motor Vehicle Highway Restricted fund.
8. A distribution from the State Local Road and Street Account received on December 15, 2022, in the amount of \$1,005, was incorrectly recorded in the Motor Vehicle Highway Restricted fund.
9. A distribution from the State Motor Vehicle Highway Account received on December 15, 2022, in the amount of \$3,521, was incorrectly recorded in the Motor Vehicle Highway Restricted fund; however, 50 percent of the distribution should have been posted to the Motor Vehicle Highway fund.
10. A distribution from the Local Units Opioid Settlement Account received on December 9, 2022, in the amount of \$3,699, was incorrectly recorded in the Motor Vehicle Highway fund. New Funds for Opioid Settlement Unrestricted and Opioid Settlement Restricted should have been created to receive the distribution.

The Town was requested to make correcting entries in the subsequent period to move the state distributions to the proper funds; however, no financial statements adjustments were required to be made.

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)

ACCOUNTING OF THE IFA ADMINISTERED CRF MONEY

Condition and Context

The Town did not properly account for the Coronavirus Relief Fund (CRF) in accordance with State Examiner Directive 2020-3.

The Public Health and Safety Payroll costs reimbursement of \$35,223 was receipted into the CARES fund on December 21, 2020. The reimbursement amount at that point should have been moved by claim to the general fund or the associated expenses reversed and recorded in the CARES grant fund leaving a zero balance in the fund.

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

The Town had a year-end balance of \$35,223 in the CARES fund as of December 31, 2022. This amount should immediately be claimed to the general fund.

Criteria

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options.

Option One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and re-appropriate the general fund (or other fund) in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the general fund (or other fund), it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once option one is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund.**

Option Two. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020.** . . .

(State Examiner Directive 2020-3)

CHART OF ACCOUNTS

Condition and Context

The Town did not follow the prescribed chart of accounts. The Town used incorrect fund numbers and/or names for its General Fund, special revenue funds, debt service funds, capital projects funds, permanent funds, and proprietary funds.

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

Criteria

The following prescribed fund names are required by statute or are currently in use by municipalities pursuant to annual reports filed with the State Board of Accounts. Further funds will be added as required. Fund numbers shall be used as listed. Numbers include fund type, for instance (2)01, etc. . . . (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 3)

CAPITAL ASSETS

Condition and Context

The Town has not properly maintained a complete, detailed inventory of capital assets owned. Capital asset additions and deletions have not been recorded on the capital asset ledger form for numerous years. The Town did not complete a physical inventory at least every two years. Additionally, out of ten capital assets tested by physical observation, two assets were no longer in the possession of the Town.

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)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Clerk-Treasurer incorrectly certified on the Indiana Gateway for Government Units financial reporting system that the Town had provided personnel with training over the minimum internal control standards when all required personnel had not received the training annually per the Town's approved ordinance.

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](#)."

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

SUPPORTING DOCUMENTATION - CONTRACTS

Condition and Context

Out of the four projects that were contracted to four different vendors during the audit period, three of the projects did not have supporting documentation. The Town did not provide a contract to support one of its contracted projects in the amount of \$460,000. The Town did not provide change orders to support the second contract in the amount of \$412,778. Lastly, the Town did not provide the bid bond, performance bond, or escrow retainage contract to support the third contract in the amount of \$285,258.

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)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

The Town did not allocate at least 50 percent of the MVH distributions into the MVH Restricted in 2020. The Town allocated more than 50 percent of the MVH distributions into the MVH Restricted Fund in 2021 and 2022 without having passed an ordinance or resolution to allocate more than the 50 percent required.

Criteria

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted.

The political subdivision, by ordinance or resolution, may elect to allocate more than fifty percent (50%) of the distributions to MVH Restricted. During the same fiscal year, the political subdivision may transfer, by ordinance or resolution, the amount allocated in excess of the 50% requirement from MVH Restricted to MVH.

(State Examiner Directive 2018-2)

MONTHLY AND ANNUAL UPLOADS

Condition and Context

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

Annual upload requirements include the year-end investment statements, detail of receipt activity, detail of disbursement activity, current year salary ordinance, and an annual vendor history report.

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

The Town did not comply with the State Examiner Directive and failed to upload all monthly files after September 2021 and all annual files for the audit period on the Indiana Gateway for Government Units financial reporting system.

Criteria

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients.

A user guide for the Engagement Uploads is available and located at: <https://gateway.ifionline.org/userguides/engagementguide> **It is pertinent that this user guide be used in conjunction with this Directive.** It provides critical information to you that will help guide you to uploading the correct documents.

(State Examiner Directive 2018-1, Updated November 5, 2020, and effective with uploads due February 14, 2021)

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)

CLERK-TREASURER
TOWN OF MARKLE
EXIT CONFERENCE

The contents of this report were discussed on December 20, 2023, with Stephenie Hensley, Clerk-Treasurer, and Matthew Doss, President of the Town Council.

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TOWN COUNCIL
TOWN OF MARKLE

TOWN COUNCIL
TOWN OF MARKLE
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The Town's internal control policy states that employees should be trained annually. The Town did not provide supporting documentation for the annual training on internal controls.

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."

TOWN COUNCIL
TOWN OF MARKLE
EXIT CONFERENCE

The contents of this report were discussed on December 20, 2023, with Stephenie Hensley, Clerk-Treasurer, and Matthew Doss, President of the Town Council.