

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MOUNT ETNA

HUNTINGTON COUNTY, INDIANA

January 1, 2021 to December 31, 2022



FILED
10/19/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Erica Dorsett Patience Blaker (interim) Patience Blaker	01-01-21 to 04-08-23 04-09-23 to 05-10-23 05-11-23 to 12-31-23
President of the Town Council	Jim Kirby	01-01-21 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF MOUNT ETNA, HUNTINGTON COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Mount Etna (Town), for the period from January 1, 2021 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 Statement Audit Report of the Town, which provides our opinions on the Town's financial statement. 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

October 3, 2023

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TOWN COUNCIL
TOWN OF MOUNT ETNA

TOWN COUNCIL
TOWN OF MOUNT ETNA
AUDIT RESULT AND COMMENT

DEBIT CARDS

The same comment also appeared in prior Report B58094.

Condition and Context

The Town used a debit card for purchases without authorization from the Town Council through an approved ordinance or resolution.

Criteria

The SBOA will not take exception to the use of debit/procurement cards by a unit provided the following criteria are observed:

1. The governing board must authorize debit/procurement card use through an ordinance/ resolution, which has been approved in a meeting and documented in the minutes.
2. Issuance and use should be handled by an official or employee designated by the governing body.
3. The purposes for which the debit/procurement card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the debit/procurement card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Debit/procurement cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.

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

TOWN COUNCIL
TOWN OF MOUNT ETNA
EXIT CONFERENCE

The contents of this report were discussed on October 3, 2023, with Patience Blaker, Clerk-Treasurer, and Todd Johnson, Town Council member.

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CLERK-TREASURER
TOWN OF MOUNT ETNA

CLERK-TREASURER
TOWN OF MOUNT ETNA
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

Financial, supplemental, 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:

Financial Data

The Financial Statement and the Combining Schedules did not include the Levy Excess, SRF BNY Bond and Interest, SRF BNY Wastewater, and the SRF BNY Wastewater Ban funds.

Adjustments were proposed, accepted by the Town, and made to the Financial Statement and to the Combining Schedules presented as RSI in the Financial Statement Audit Report.

Schedule of Leases and Debt

The Schedule of Leases and Debt contained the following errors on December 31, 2022:

1. The Town overstated the Ending Principal Balance and overstated the Principal Due Within One Year of its SRF Refunding Revenue Bonds of 2020 by \$48,996 and \$650,656, respectively.
2. The Town understated the Ending Principal Balance of its Bond Anticipation Notes by \$1,000,000.

Adjustments were proposed, accepted by the Town, and made to the Schedule of Leases and Debt presented in the Financial Statement Audit Report as Other Information.

Schedule of Capital Assets

The Schedule of Capital Assets entered into Gateway did not reflect the capital asset activity of the Town.

The Town approved the omission of the Schedule of Capital Assets from the Financial Statement Audit Report.

Schedule of Schedule of Payables and Receivables

The Schedule of Payables and Receivables was not completed on December 31, 2022.

The Town has determined the Schedule of Payables and Receivables will not be presented in the Financial Statement Audit Report as Other Information.

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:

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

"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. . . ."

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](#)."

MONTHLY AND ANNUAL UPLOADS

A similar comment appeared in prior Report B58094, entitled *GATEWAY ENGAGEMENT UPLOADS*.

Condition and Context

The Town did not upload the required monthly and annual financial information onto the Indiana Gateway for Government Units (Gateway) financial reporting system for 2021 and 2022.

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.

(Amended 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)

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

EMPLOYEE COMPENSATION

The same comment also appeared in prior Report B58094.

Condition and Context

The Town did not file quarterly Internal Revenue Service (IRS) tax returns (Form 941), nor did the Town issue IRS Form W-2 (Wage and Tax Statement) to Town employees in 2021 and 2022. Wages paid to employees in 2021 and 2022 were reported to the IRS on Form 1099.

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)

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)

CAPITAL ASSETS

The same comment also appeared in prior Report B58094.

Condition and Context

The Town had a capital assets policy that detailed the threshold at which an item is considered a capital asset. However, the Town did not maintain a complete detailed listing of all capital assets. In addition, the Town did not complete a physical inventory at least every two years, as required.

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)

DEBIT CARDS

The same comment also appeared in prior Report B58094.

Condition and Context

The Town used a debit card for purchases without authorization from the Town Council through an approved ordinance or resolution.

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

Criteria

The SBOA will not take exception to the use of debit/procurement cards by a unit provided the following criteria are observed:

1. The governing board must authorize debit/procurement card use through an ordinance/ resolution, which has been approved in a meeting and documented in the minutes.
2. Issuance and use should be handled by an official or employee designated by the governing body.
3. The purposes for which the debit/procurement card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the debit/procurement card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Debit/procurement cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.

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

ACCOUNTS RECEIVABLE CONTROL

The same comment also appeared in prior Report B58094.

Condition and Context

The Town did not maintain a control account of the detailed listing of customers' accounts receivable.

Criteria

When utility records are kept on a cash or single-entry basis, a separate control account should be carried on General Ledger Sheet, General Form No. 315, in the front of the Consumer's Ledger. This account will be debited with the total monthly billing to all customers for utility services including penalties and sales tax. This account will be credited with the total accounts receivable collections, penalties and sales tax shown by the Register of Daily Cash Receipts Consumers.

Under normal conditions the individual active accounts of customers should at all times show debit balances and at the end of each month the individual active accounts should be added, and the total so obtained checked against the balance of the control account. If any adjustments are necessary to be made either to the control or to the individual active accounts, proper explanation should be recorded in the records.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 6)

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

DEPOSITS

Condition and Context

The Town did not deposit funds on the business day following the day that funds exceeded \$500. The Town held daily utility receipts and deposited them into the bank two to three times per month without regard for the amount of funds held.

Criteria

Indiana Code 5-13-6-1(d) states:

"Except as provided in subsection (g), a city . . . or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories:

- (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and
- (2) approved as depositories of state funds."

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

"The following are not required to deposit funds on the business day following receipt if the funds on hand do not exceed five hundred dollars (\$500): . . .

- (2) A local officer of a political subdivision required to deposit funds under subsection (c) other than a township trustee.
- (3) A city or a town required to deposit funds under subsection (d).

However, the funds on hand must be deposited not later than the business day following the day that the funds exceed five hundred dollars (\$500)."

TIMELY RECORDING OF UTILITY RECEIPTS

Condition and Context

The Town collected money for an advanced payment on an account but did not record the payment on the Consumer's Ledger (customer history) until the month the bill was due. In addition, the Town recorded the payment of two separate bills in the Consumer's Ledger (customer history) prior to the date the cash payments were recorded on the Register of Daily Cash receipts.

Criteria

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)

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

SUPPORTING DOCUMENTATION

Condition and Context

There were four disbursements, including two of which were return of deposits, that did not include supporting documentation.

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)

CLERK-TREASURER
TOWN OF MOUNT ETNA
EXIT CONFERENCE

The contents of this report were discussed on October 3, 2023, with Patience Blaker, Clerk-Treasurer, and Todd Johnson, Town Council member.