

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

COMPLIANCE ENGAGEMENT REPORT

OF

TOWN OF MEROM

SULLIVAN COUNTY, INDIANA

January 1, 2019 to December 31, 2023



FILED
07/24/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	June Shacklett (Vacant) Brittany Williams	01-01-19 to 03-31-23 04-01-23 to 04-10-23 04-11-23 to 12-31-24
President of the Town Council	John Gettinger Kaleb Westbrook Douglas J. Bates	01-01-19 to 12-31-19 01-01-20 to 12-31-20 01-01-21 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF MEROM, SULLIVAN 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 Merom (Town), for the period of January 1, 2019 to December 31, 2023. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the Town as this engagement was not conducted in accordance with any standards established by an authoritative standard setting body, and, as such, we do not provide any opinions on compliance or financial activity.

Management is responsible for preparing and maintaining its accounting records and related documents in accordance with applicable Indiana laws, regulations, and Guidelines. Management's responsibility also includes, but is not limited to, complying with other applicable Indiana laws, regulations, and Guidelines concerning how it operates: authorized sources and uses of funds; what reports are required to be prepared and filed; and what depositories and investment types are allowable.

We fulfilled our responsibility as detailed in the first paragraph, using procedures that verified the appropriate accounting for and reporting of cash, receipts, and disbursements; and the appropriate sources and uses of funds in accordance with applicable Indiana laws, regulations, and Guidelines. Expanding the scope and nature of these procedures can and does occur in specific circumstances.

The Comments contained herein, if any, describe the identified reportable instances of noncompliance found during our engagement. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified. Any Official Response to the Comments incorporated within this report was not verified for accuracy.

The Schedule of Officials is informational only. The Statements of Receipts, Disbursements, and Schedule of Cash and Investment Balances - Regulatory Basis have not been included in this report due to the issues detailed in the Comments below.

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. Reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>, and the Town's Annual Financial Reports filed by management can be found on the Indiana Gateway for Government Units financial reporting system website: <http://www.gateway.ifionline.org>.

The contents of this report were communicated to Brittany Williams, Clerk-Treasurer; Douglas J. Bates, President of the Town Council; Barbara Mahan, Town Council member; and Autumn Dean, Consultant, on July 15, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

July 8, 2024

TOWN OF MEROM COMMENTS

INTERNAL CONTROLS

Condition and Context

Internal controls were not in place to ensure that the Town complied with laws and regulations. Internal control deficiencies resulted in noncompliance over the following and are detailed further in the comments below:

- Condition of Records
- Payroll
- Transfers
- Errors on Claims
- Cash Disbursements
- Fund Sources and Uses
- Annual Financial Report - Other Information
- Merom Improvement Association
- Donations
- Appropriations
- Motor Vehicle Highway (MVH) - Restricted Fund
- Capital Assets
- Monthly and Annual Uploads
- Credit Cards
- Training on Internal Control Standards
- Certification on Internal Control Standards
- Meals Paid to Prisoners

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. . . ."

TOWN OF MEROM
COMMENTS
(Continued)

CONDITION OF RECORDS

The same comment also appeared in prior Reports B40340, B45866, and B53499.

Condition and Context

The financial records presented for review were incomplete and not reflective of the activity of the Town. The following errors were noted:

- Some state and local distributions were either not posted to the ledger or were posted to the ledger twice.
- Not all disbursements were posted to the ledgers.
- The Town was not able to provide detailed ledgers for 2019 due to the electronic files being corrupt, and the Town did not maintain physical copies. Therefore, transactions could not be verified for 2019.
- The monthly bank reconciliations were incomplete, contained numerous uncorrected posting errors, and did not reconcile to the funds ledger for any years of the engagement period. In 2023, a consultant was hired to help with the reconciliations and numerous posting errors were identified. As of December 31, 2023, the reconciled bank balance was \$23,845 less than the funds ledger. This variance has remained the same through March 2024.

Due to the condition of records and variances on the bank reconciliations, we could not determine that the balance of individual funds on the Town's ledger were accurate. Therefore, the Statements of Receipts, Disbursements and Cash and Investment Balances - Regulatory Basis will not be included as part of this report.

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)

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 5-15-1-1.

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)

TOWN OF MEROM
COMMENTS
(Continued)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

PAYROLL

Condition and Context

The following deficiencies were noted during the payroll test:

Advance Payments

- Four employees tested were paid prior to the end of the pay period.
- The salary ordinances stated that Town Council members were to be paid at the December meeting.
 - In 2019, one Town Council member was paid half of the annual salary in July and the other half was paid in December.
 - In 2023, all three Town Council members were paid their total annual salary in November.

Compensation and Benefits

- The salary ordinances for 2019, 2020, and 2021 stated that the Clerk-Treasurer would be paid \$688 before taxes semimonthly; however, the Clerk-Treasurer was paid \$434 before taxes semimonthly.
- The former Clerk-Treasurer was paid an additional check in April 2023 noted as hourly without any supporting documentation or approval of the rate of pay by the Town Council.
- In May 2023, an employee was paid \$10 an hour but the approved rate of pay was \$9 per hour.

Records of Hours Work

- The Town could not provide timesheets for 5 of the 13 hourly employees tested.

Supporting Documentation

- The Town hired a CPA firm to process payroll during the engagement period. The Town did not have any detailed payroll reports on file, so they had to be obtained from the CPA firm.

Salary for Position of Clerk-Treasurer

- The salary for the position of Clerk-Treasurer was reduced in 2022 from \$687 semimonthly pay before taxes to \$477 semimonthly pay before taxes.

TOWN OF MEROM
COMMENTS
(Continued)

Criteria

Indiana Code 5-7-3-1(a) states: "Public officers may not draw or receive their salaries in advance."

Indiana Code 36-5-3-2(c) states: "The compensation of an elected town officer may not be changed in the year for which it is fixed, nor may it be reduced below the amount fixed for the previous year."

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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)

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employee's Service Record
General Form 99B, Employee's Earnings Record
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor.

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

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)

TRANSFERS

The same comment also appeared in prior Report B53499.

Condition and Context

Nineteen transfers were tested with the following deficiencies:

- Ten transfers authorized by the Town Council did not occur.
- Eight were not approved by the Town Council.
- Eighteen were made without an enabling law or ordinance/resolution.

TOWN OF MEROM
COMMENTS
(Continued)

Criteria

Indiana Code 36-5-4-13(a) states in part:

". . . this subsection applies to a town with a population of five hundred (500) or less. Notwithstanding the provisions of any other statute, a town may transfer money from any town fund to another town fund after the passage of an ordinance or a resolution by the town legislative body specifying the:

- (1) amount of the transfer;
- (2) funds involved;
- (3) date of the transfer; and
- (4) general purpose of the transfer."

ERRORS ON CLAIMS

Condition and Context

The test of claims contained the following errors:

- Accounts Payable Vouchers could not be located for six of the eighty-nine disbursements tested.
- Supporting documentation, including itemized invoices, was not available for forty-four of the eighty-nine disbursements tested.
- Forty-five of the eighty-nine Accounts Payable Vouchers tested did not have certification for the receipt of goods or services.
- Sixty-eight of the eighty-nine Accounts Payable Vouchers tested were not certified by the fiscal officer.
- Approved Accounts Payable Voucher Registers could not be located for forty-nine of the eighty-nine disbursements tested.

Criteria

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;

TOWN OF MEROM
COMMENTS
(Continued)

- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

BANK COUNTER CHECKS AND CASH DISBURSEMENTS

Condition and Context

Separate bank accounts were opened for the River and COVID grant funds. Instead of purchasing checks for each of these bank accounts, the Clerk-Treasurer used counter checks from the bank for 16 disbursements totaling \$181,431. These disbursements did not go through the claims process and were not approved by the Town Council.

- One counter check in the amount of \$72,030 was made payable to the former Clerk-Treasurer. The counter check was then used to purchase a cashier's check made payable to the vendor. Supporting documentation was available for this transaction.
- Three counter checks, totaling \$57,893, were made payable to First Financial Bank. No supporting documentation was presented to validate the disbursement. However, documentation was obtained from the bank that cashier's checks were purchased and made payable to the respective vendors. Three counter checks, totaling \$10,020, were made payable to the vendors and included supporting documentation.
- One counter check was written to the Town in the amount of \$5,000 and deposited into another bank account of the Town.
- Eight counter checks were made payable to Cash.
 - Four of these checks, totaling \$6,321, did not contain any supporting documentation to validate the disbursements. However, documentation was obtained from the bank that cashier's checks were purchased and made payable to the respective vendors.
 - Three of these checks, totaling \$7,224, were used to purchase cashier's checks made payable to the vendors. Supporting documentation was available.
 - One check in the amount of \$22,942 was used to purchase a cashier's check made payable to the vendor and had supporting documentation.
- Twelve of the sixteen counter checks were not posted to the ledger from 2019-2022.

Prescribed form, Clerk-Treasurer's Warrant Form No. 219 was not in use.

Criteria

Indiana Code 5-11-10-1.6(c)(5) states: "payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

TOWN OF MEROM
COMMENTS
(Continued)

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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)

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 5-15-1-1.

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)

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

FUND SOURCES AND USES

Condition and Context

The following issues were noted during the disbursement testing:

- Disbursements totaling \$607 from the Recreation fund were used to purchase items for Halloween parties and Christmas lights. Meals were purchased, totaling \$274, from the Recreation fund for County employees, Town cleanup day, and a luncheon.
- Items were purchased for the Merom Camp and Retreat Center for supplies and payment of the electric bill for one month totaling \$3,430.
- Disbursements totaling \$135 from the MVH fund were used to purchase supplies for the park.
- Disbursements totaling \$180 from the Local Road and Street fund were used to purchase supplies for the park.

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)

TOWN OF MEROM
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 (AFR) via the Indiana Gateway for Governmental Units (Gateway) financial reporting system. The following information was inaccurate.

Accounts Receivables/Account Payables

The Town reported total year-to-date receipts as Accounts Receivable and total year-to-date disbursements as Accounts Payable for 2019, 2020, 2021, and 2022.

Capital Assets

A detailed listing of capital assets was not maintained. As a result, the amount reported for capital assets in the AFR could not be verified. The Town reported capital assets of \$227,600 at December 31, 2023.

Grants

- In 2021, grant receipts were overstated by \$4,792, and the amount of insurance in effect during the year was reported as \$500,000 but should have been reported as \$0.
- In 2022, grant receipts were overstated by \$40,633. The amount provided to subrecipients was reported as \$65,428 but should have been reported as \$0.
- In 2023, the amount provided to subrecipients was reported as \$9,942 but should have been \$0.

Investment Statement

The Town did not report investments correctly in the AFR.

Year	Investments at December 31	Reported on AFR	Variance
2019	\$ 10,743	\$ -	\$ 10,743
2020	1,723	-	1,723
2021	1,724	66,823	(65,099)
2022	1,751	66,823	(65,072)

Criteria

The Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not later than sixty (60) days after the close of each fiscal year. (Accounting and Uniform Guidelines Compliance Manual for Cities and Towns, Chapter 1)

TOWN OF MEROM
COMMENTS
(Continued)

MEROM IMPROVEMENT ASSOCIATION

Condition and Context

The Merom Improvement Association, Inc. (Association) was established as a domestic nonprofit corporation on December 15, 1986. The articles of incorporation stated the purpose of the Association was "For the improvement of the Town of Merom, Indiana in regards to cultural, economic and physical appearance aspects. To sponsor the Merom Bluff Chautauqua, a festival to raise money for town improvements." The Business Entity Report filed with the Secretary of State's office on March 13, 2023, showed that the Vice President listed on the report also serves on the Town Council. There were several payments made to the Association during the engagement period as follows:

- At the June 2019 Town Council meeting, "due to the new addition to the shelter house," the Town Council approved payments to the Association of \$1,000 per month with a cap of \$10,000. However, they actually paid the Association \$12,000. There was no contract for these payments. Disbursements in the amount of \$350 were also made to the Association for "Christmas from Santa" and "Town party and Santa visit." No supporting documentation was available for these disbursements.
- Two disbursements, totaling \$187, for t-shirts for Community Builders. The Community Builders was a grant that the Association received from the Wabash Valley Community Foundation in March 2023.

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)

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)

DONATIONS

Condition and Context

Donations were made to Merom Camp and Retreat Center, totaling \$850, during the engagement period as follows:

- June 6, 2019, in the amount of \$100 for day camp.
- May 20, 2021, in the amount of \$250 for day camp.
- April 14, 2022, in the amount of \$500 for day camp.

Criteria

Public funds cannot be donated or given to other organizations or individuals unless specifically authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN OF MEROM
COMMENTS
(Continued)

APPROPRIATIONS

This same comment appeared in a Management Letter addressed to the Town Council and Clerk-Treasurer for the review period ending December 31, 2018, and prior Reports B40340 and B45866.

Condition and Context

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

Fund	Years	Excess Amount Expended
General	2019	\$ 46,440
Motor Vehicle Highway	2020	1,668
Local Road & Street	2020	52
Motor Vehicle Highway	2021	3,486
Motor Vehicle Highway	2022	4,893
Local Road & Street	2022	798
General	2023	1,469

Criteria

Indiana Code 36-5-4-2 states in part: "Unless a statute provides otherwise, town monies may be disbursed only after an appropriation made by ordinance of the town legislative body . . ."

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

The Town did not allocate or deposit at least 50 percent of the state distributions from the State Motor Vehicle Highway (MVH) Account, at the time of receipt, into the MVH Restricted fund for the years 2019 through 2023.

Year	Total MVH Distributions	50 % of Distribution	Amount Posted to MVH Restricted	MVH Restricted Variance
2019	\$ 9,831	\$ 4,916	\$ 3,173	\$ 1,743
2020	8,655	4,328	1,700	2,628
2021	9,565	4,783	3,726	1,057
2022	9,102	4,551	3,120	1,431
2023	11,212	5,606	4,479	1,469
Total	<u>\$ 48,365</u>	<u>\$ 24,183</u>	<u>\$ 16,198</u>	<u>\$ 8,327</u>

TOWN OF MEROM
COMMENTS
(Continued)

Criteria

Indiana Code 8-14-1-5(c) states: "Except as provided in subsection (d), 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."

The purpose of this Directive is to authorize and require counties, cities, and towns that receive distributions from the State Motor Vehicle Highway Account to **create a new sub-fund within the MVH Fund** to properly manage and account for the usage restrictions that were included in House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018.

The sub-fund will be referred to throughout this Directive as "MVH Restricted" and will be used to account for MVH monies which have been statutorily restricted for construction, reconstruction, and preservation purposes.

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.

(State Examiner Directive 2018-2)

CAPITAL ASSETS

Condition and Context

The Town did not maintain a detailed listing of capital assets owned which reflects their acquisition value. In addition, a physical inventory was not performed as required every two years. The Town reported capital assets of \$227,600 at December 31, 2023, in the Indiana Gateway for Government Units financial reporting system.

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 Town did not upload the following files and governmental unit information that are required to be uploaded monthly:

- Bank reconciliations, Bank Statements (effective for monthly uploads for December 2020), and Outstanding Check Lists (effective for monthly uploads for December 2020)
 - Not all bank accounts were uploaded for 2019 through 2023.

TOWN OF MEROM
COMMENTS
(Continued)

- Approved Town Council Board minutes
 - One in 2019 and one in 2020

The Town did not upload the following files and governmental unit information that are required to be uploaded annually:

- Year-end investment statements
 - 2023
- Detail of Receipts for the year
 - The reports uploaded did not contain detailed receipt information for 2019 through 2022. The reports only contained summary information.
- Detail of Disbursements for the year
 - The report uploaded did not contain detailed disbursement information for 2019 through 2023. The reports only contained summary information.
- Annual Payroll History Report, without social security numbers
 - 2019
- Annual Funds Ledger
 - 2019

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)

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. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 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)

TOWN OF MEROM
COMMENTS
(Continued)

CREDIT CARDS

Condition and Context

The Town provided a credit card policy that had been approved by the Town Council; however, the policy did not contain the following requirements:

- Issuance and use should be handled by an official or employee designated by the governing body.
- When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
- 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.

Criteria

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

1. The governing body must authorize credit 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 credit card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the credit 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. Credit 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.
7. Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee may be the personal obligation of the responsible officer or employee.
8. If authorized, an annual fee may be paid.

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

TOWN OF MEROM
COMMENTS
(Continued)

TRAINING ON INTERNAL CONTROL STANDARDS

A similar comment also appeared in prior Report B53499, entitled *ADOPTION AND TRAINING OF INTERNAL CONTROLS*.

Condition and Context

The Town did not ensure that all applicable personnel had received training concerning the internal control standards.

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."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Report B53499.

Condition and Context

The Town did not perform the required internal controls training for all necessary employees. However, the Clerk-Treasurer certified on the Indiana Gateway for Government Units financial reporting system that the Town had provided training on internal control standards for years 2019, 2020, and 2021.

Criteria

The Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not later than sixty (60) days after the close of each fiscal year. (Accounting and Uniform Guidelines Compliance Manual for Cities and Towns, Chapter 1)

MEALS PAID FOR PRISONERS

Condition and Context

The Town was unable to provide the agreement between the Town and the Indiana Department of Corrections for meals provided to prisoners while performing work for the Town. The Town paid \$1,488 on meals for prisoners during the engagement period.

Criteria

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the unit. Any personal expenses paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN OF MEROM
COMMENTS
(Continued)

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 Town, Chapter 1)