

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

**Paul D. Joyce, CPA  
State Examiner**

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MACY

MIAMI COUNTY, INDIANA

January 1, 2020 to December 31, 2023



**FILED**

05/12/2025



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Michelle Hoffman	01-01-20 to 12-31-25
President of the Town Council	Marilyn Jackson	01-01-20 to 12-31-25



Paul D. Joyce, CPA  
State Examiner

# INDIANA STATE BOARD OF ACCOUNTS

302 WEST WASHINGTON STREET  
ROOM E418  
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TO: THE OFFICIALS OF THE TOWN OF MACY, MIAMI COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Macy (Town), for the period from January 1, 2020 to December 31, 2023. 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

April 30, 2025



CLERK-TREASURER  
TOWN OF MACY

CLERK-TREASURER  
TOWN OF MACY  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS - COMPLIANCE**

*Condition and Context*

Internal control deficiencies resulted in the noncompliance over:

- Annual Financial Report
- Certification on Internal Control Standards
- Annual Uploads
- Ordinances and Resolutions
- Cares Act Fund
- Capital Assets
- Motor Vehicle Highway (MVH) - Restricted Fund

These internal control deficiencies are further detailed in the comments below.

*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. . . ."

**ANNUAL FINANCIAL REPORT**

A similar comment appeared in prior Report B54841, entitled *INTERNAL CONTROLS*.

*Condition and Context*

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source for the financial statements. The Town had not established effective internal controls over the information submitted in the AFR, which resulted in the following errors:

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

*Financial Data*

Fund	Over (Under) Stated at December 31,			
	2020	2021	2022	2023
<b>Receipts:</b>				
General	\$ 5,806	\$ -	\$ (15,053)	\$ 2,462
Motor Vehicle Highway Restricted	-	(4,165)	3,838	327
Rainy Day	-	(10,236)	-	-
Trash	(639)	-	-	-
Motor Vehicle Highway 201	-	(4,165)	4,166	-
Debt Service	-	-	400	-
Wastewater Utility Operations	-	(14,362)	400	(1,810)
New Fire Station	-	(22,464)	(357,557)	(68,871)
2 Construction Fund CDBG	-	-	-	(364,104)
OCRA	-	-	-	(179,752)
USDA New Fire Station	-	-	-	(38,205)
<b>Totals</b>	<b>\$ 5,167</b>	<b>\$ (55,392)</b>	<b>\$ (363,806)</b>	<b>\$ (649,953)</b>
<b>Disbursements:</b>				
General	\$ 4,590	\$ -	\$ (19,785)	\$ -
Motor Vehicle Highway Restricted	-	8,902	2,906	-
Rainy Day	-	(13,142)	-	-
Trash	(639)	-	-	-
Debt Service	840	(1,239)	800	1,861
Wastewater Utility Operations	-	(20,194)	6,232	(1,810)
New Fire Station	-	-	(69,803)	(380,950)
2 Construction Fund CDBG	-	-	-	(364,104)
OCRA	-	-	-	(179,752)
USDA New Fire Station	-	-	-	(35,882)
<b>Totals</b>	<b>\$ 4,791</b>	<b>\$ (25,673)</b>	<b>\$ (79,650)</b>	<b>\$ (960,637)</b>
<b>Ending Cash and Investment Balances:</b>				
General	\$ 1,216	\$ -	\$ 4,732	\$ 2,462
Motor Vehicle Highway Restricted	-	(13,067)	932	327
Rainy Day	-	2,906	-	-
Motor Vehicle Highway 201	-	(4,165)	4,166	-
Debt Service	(840)	1,239	(400)	(1,861)
Wastewater Utility Operations	-	5,832	(5,832)	-
New Fire Station	-	(22,464)	(287,754)	312,079
USDA New Fire Station	-	-	-	(2,323)
<b>Totals</b>	<b>\$ 376</b>	<b>\$ (29,719)</b>	<b>\$ (284,156)</b>	<b>\$ 310,684</b>

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

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

*Capital Assets*

Capital asset information entered into Gateway could not be verified due to lack of supporting documentation for the amounts reported. Due to the errors noted, the Town approved the omission of the Schedule of Capital Assets from the Financial Statements Audit Report of the Town.

*Financial Reporting*

There were deficiencies in the internal control system of the Town related to financial reporting. The Town had not established a system of internal controls related to financial reporting.

The Town used QuickBooks, a generic accounting software application, to maintain the ledger of the Town's financial activities instead of the Ledger of Receipts, Disbursements, and Balances (General Form No. 358). The software system did not provide a record of receipts and disbursements by account number. The software system could not track activity by fund, so the Town had to use separate bank accounts to track the activity of the Town's funds. The reports from the software do not meet the requirements of the prescribed form.

*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 as set forth in the uniform compliance guidelines. 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](#)."

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)

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

A similar comment also appeared in prior Report B54841, entitled *CERTIFICATION ON INTERNAL CONTROL STANDARDS*.

*Condition and Context*

The Town had not established effective internal controls to ensure proper certification on the Indiana Gateway for Government Units (Gateway) financial reporting system. The Town incorrectly certified on the 2020, 2021, 2022, and 2023 Annual Financial Report via Gateway that the Town had not adopted the minimum internal control standards; however, the Town had adopted Ordinance No. 2020-001, as an Internal Control Policy in April 2020.

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

*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 as set forth in the uniform compliance guidelines. 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](#)."

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

"After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that:

- (1) the minimum internal control standards and procedures defined under subsection (e) have been adopted by the political subdivision; and
- (2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2).

The certification shall be filed with the state board of accounts at the same time as the annual financial report required by section 4(a) of this chapter is filed. The certification shall be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

**ANNUAL UPLOADS**

*Condition and Context*

Internal controls were not in place to ensure compliance with upload requirements. Amended State Examiner Directive 2018-1 requires monthly and annual uploads of governmental unit information to be uploaded to the Indiana Gateway for Government Units financial reporting system.

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

The Town did not comply with the Amended State Examiner Directive 2018-1. The Town did not upload any 2020, 2021, 2022, or 2023 annual information as required.

*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)

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

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, and Updated October 30, 2023, effective with the December 2023 monthly uploads due February 15, 2024, and the 2023 annual uploads due March 1, 2024)

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 Town, Chapter 1)

**ORDINANCES AND RESOLUTIONS**

A similar comment also appeared in prior Report B54841, entitled *ORDINANCES AND RESOLUTIONS*.

*Condition and Context*

The Town had not established effective internal controls to ensure utility billings were in compliance with Town Ordinances. Based on a test of 25 utility billings, 19 customers were charged the incorrect rate for trash service. The Trash Ordinance approved by the Town on September 11, 2018, with an effective date of January 1, 2019, had rate increases that were to go into effect in Years 3, 4, 5, and 6. The Town did not adjust customer bills to reflect these increases.

Additionally, the Wastewater utility monthly fee rate was increased in 2019 by \$5 per customer as noted in the December 11, 2018 Town Council minutes. The Sewer Rate Ordinance was not amended to reflect this increase and all 25 bills sampled were billed at the increased rate.

*Criteria*

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)

**CARES ACT FUND**

*Condition and Context*

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

The Town did not properly establish a separate CARES grant fund for the CRF grant that followed the uniform chart of accounts. The Town utilized fund 100, entitled *General* fund for the reimbursement received from the Indiana Finance Authority (IFA).

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

*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 as set forth in the uniform compliance guidelines. 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](#)."

**Each local unit of government that receives an allocation from the Coronavirus Relief Fund administered by IFA shall establish a separate CARES grant fund with a fund number consistent with memorandum *Accounting and Appropriation of COVID-19 Grants, April 29, 2020* (updated September 29, 2020).**

**All Reimbursements received from IFA shall be receipted into a separate CARES grant fund that is specific to IFA reimbursements. . . .**

Transactions for other permitted costs reimbursed by IFA must be accounted for through one of the following prescribed frameworks.

**Framework One.** Reimbursements received from IFA shall be receipted into the separate CARES grant fund. Reimbursed disbursements originally incurred in another fund will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the fund cash balance and re-appropriate the 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 original 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 these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

**Framework Two.** If IFA has provided reimbursement based on unpaid invoices or purchase orders, then reimbursements received from IFA shall be receipted into the separate CARES grant fund. The expenditures to vendors will be made through the CARES grant fund and these expenditures must match the application made to IFA. If the actual invoice or invoices relating to a purchase order is less than the purchase order, then the difference in the money expended to the vendor and the amount received for the purchase order from IFA must be returned to IFA. The items on the invoice must match the items on the purchase order. All documentation must be maintained.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

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

**Framework Three.** If you have created a negative balance in your CARES fund based on expenditures made in anticipation of receipt of reimbursement for allowable expenditures where invoices have already been submitted to IFA then leave as is and receipt reimbursement when received, bringing the balance in the separate CARES grant fund to zero. Going forward, expend any anticipated allowable expenditures from a fund with an appropriation and follow framework one. If a negative balance in the CARES grant fund is not fully reimbursed, then the unreimbursed amount will require a reverse entry and posting of the expenditure to the general or other appropriate fund within an appropriated line item.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund.**

(State Examiner Directive 2020-3)

### **CAPITAL ASSETS**

A similar comment also appeared in Management Letters addressed to the Town Council and Clerk-Treasurer for the period ending December 31, 2019.

#### *Condition and Context*

The Town adopted a capital assets policy that detailed the threshold at which an item is considered a capital asset. However, the Town did not properly maintain a complete detailed listing of all capital assets owned which reflects their acquisition value. 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 detailed 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)

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

#### *Condition and Context*

The Town did not have internal controls in place to ensure compliance with laws and regulations related to the Motor Vehicle Highway Restricted fund. There was a total of five disbursements from the Motor Vehicle Highway Restricted fund during the audit period. All five were selected for testing and none of them were documented to be used for allowable uses of funds per Indiana Code 8-14-1-5. Disbursements totaling \$22,075 were not used for construction, reconstruction, or preservation purposes.

#### *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."

CLERK-TREASURER  
TOWN OF MACY  
EXIT CONFERENCE

The contents of this report were discussed on April 30, 2025, with Michelle Hoffman, Clerk-Treasurer, and Marilyn Jackson, President of the Town Council.



TOWN COUNCIL  
TOWN OF MACY

TOWN COUNCIL  
TOWN OF MACY  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS - COMPLIANCE**

*Condition and Context*

Internal control deficiencies resulted in the noncompliance over:

- Training on Internal Control Standards
- Ordinances and Resolutions

These internal control deficiencies are further detailed in the comments below.

*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. . . ."

**TRAINING ON INTERNAL CONTROL STANDARDS**

A similar comment also appeared in prior Report B54841, entitled *ADOPTION AND TRAINING ON INTERNAL CONTROL STANDARDS*.

TOWN COUNCIL  
TOWN OF MACY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Condition and Context*

The Town had not established effective internal controls to ensure training was provided over the adopted internal control standards as required by Indiana Code 5-11-1-27(g).

*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."

**ORDINANCES AND RESOLUTIONS**

A similar comment also appeared in prior Report B54841, entitled *ORDINANCES AND RESOLUTIONS*.

*Condition and Context*

The Town had not established effective internal controls to ensure utility billings were in compliance with the Town Ordinances. Based on a test of 25 utility billings, 19 were charged the incorrect rate for trash service. The Trash Ordinance approved by the Town on September 11, 2018, with an effective date of January 1, 2019, had rate increases that were to go into effect in Years 3, 4, 5, and 6. The Town did not adjust customer bills to reflect these increases.

Additionally, the Wastewater utility monthly fee rate was increased in 2019 by \$5 per customer as noted in the December 11, 2018 Town Council minutes. The Sewer Rate Ordinance was not amended to reflect this increase and all 25 bills sampled were billed at the increased rate.

*Criteria*

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)

TOWN COUNCIL  
TOWN OF MACY  
EXIT CONFERENCE

The contents of this report were discussed on April 30, 2025, with Michelle Hoffman, Clerk-Treasurer, and Marilyn Jackson, President of the Town Council.