

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

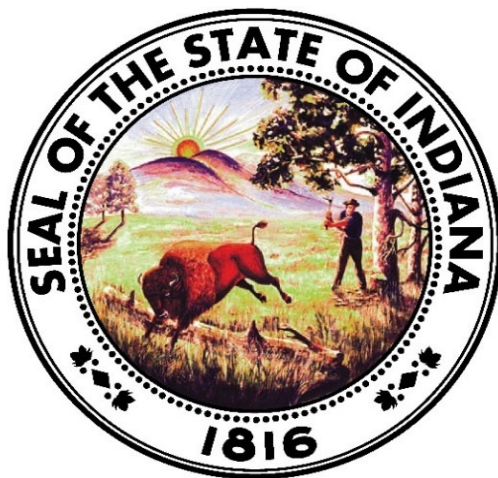
COMPLIANCE ENGAGEMENT REPORT

OF

TOWN OF MT. CARMEL

FRANKLIN COUNTY, INDIANA

January 1, 2019 to December 31, 2023



**FILED**  
05/08/2024



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Eddie Walker	01-01-19 to 07-01-21
	(Vacant)	07-02-21 to 07-13-21
	Michelle Edens	07-14-21 to 02-14-22
	(Vacant)	02-15-22 to 03-13-22
	Catherine Walker	03-14-22 to 12-31-24
President of the Town Council	Eddie Walker	01-01-19 to 12-31-24



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF MT. CARMEL, FRANKLIN 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 Mt. Carmel (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 Statement of Receipts, Disbursements, and Schedule of Cash and Investment Balances - Regulatory Basis has 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 Catherine Walker, Clerk-Treasurer, and Eddie Walker, President of the Town Council, on May 2, 2024.



Beth Kelley, CPA, CFE  
Deputy State Examiner

April 2, 2024

TOWN OF MT. CARMEL  
COMMENTS

**INTERNAL CONTROLS**

*Condition and Context*

Internal control deficiencies resulted in noncompliance over the Annual Financial Report, Bank Account Reconciliations, Adoption of Internal Control Standards, Certification on Internal Control Standards, Capital Assets, and Annual Financial Report Late Filing, detailed further 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 AND CONDITION OF RECORDS**

*Condition and Context*

The Annual Financial Report (AFR) that was entered into the Indiana Gateway Government Units financial reporting system for the years 2021, 2022, and 2023 did not match with the Town's ledger. Receipts and disbursements were posted into the wrong funds. Additionally, receipts totaling \$3,247 were deposited in the bank but not posted to the ledger.

The ending balance for the 2022 ledger and the beginning balance of the 2023 ledger do not match. The Town closed funds and moved the balance in those funds to other funds by changing the beginning balance instead of posting a transfer. Adjustments were made to beginning balances, receipts, and disbursements in order for the AFR to match with the ledgers. However, since the 2022 ending balance on the ledger did not match the 2023 beginning balance on the ledger and the other issues with the financial statements, the financial statements will not be included in the report.

TOWN OF MT. CARMEL  
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 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](#)."

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)

**BANK ACCOUNT RECONCILIATIONS**

*Condition and Context*

The Town did not perform monthly bank reconciliations from July 2021 through the date of this report. As part of our engagement procedures, we attempted to reconcile the bank balance to the ledger balance as of December 31, 2021, 2022, and 2023. We were unable to reconcile and had unknown cash short variance of \$7,984, \$7,767, and \$8,815 for the years 2021, 2022, and 2023, respectively.

*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."

**ADOPTION OF INTERNAL CONTROL STANDARDS**

A similar comment appeared in prior Report B54933.

*Condition and Context*

The Town had not adopted the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts.

*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."

TOWN OF MT. CARMEL  
COMMENTS  
(Continued)

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

A similar comment appeared in prior Report B54933.

*Condition and Context*

The Clerk-Treasurer certified on the Annual Financial Report that the Town had adopted the minimum internal control standards as required by Indiana Code 5-11-1-27; however, the Town had not adopted the minimum internal control standards.

*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](#)."

**CAPITAL ASSETS**

*Condition and Context*

As of December 31, 2023, the Town had not adopted a capital assets policy with a threshold. The Town does not have a detailed capital asset listing. The Town has not taken a physical inventory of capital assets during the engagement period.

*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)

**ANNUAL FINANCIAL REPORT LATE FILING**

*Condition and Context*

The 2021 Annual Financial Report was submitted on April 16, 2022, 46 days late. The 2023 Annual Financial Report was submitted on March 9, 2024, 9 days late.

TOWN OF MT. CARMEL  
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 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](#)."

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

*Condition and Context*

For the years 2021 through 2023, the Town did not have a Motor Vehicle Highway (MVH) Restricted Fund. The Town had also not distributed at least 50 percent of the MVH funds into the MVH Restricted Fund.

*Criteria*

Indiana Code 8-14-1-5(c) states in part: "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."