

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

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

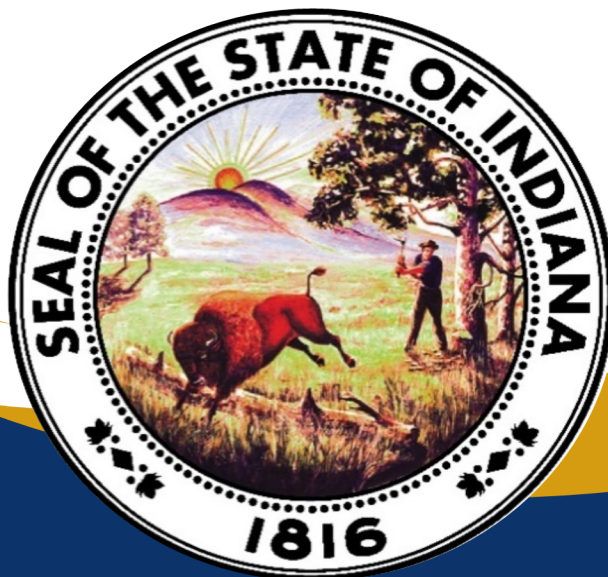
COMPLIANCE ENGAGEMENT REPORT

OF

TOWN OF MATTHEWS

GRANT COUNTY, INDIANA

January 1, 2019 to December 31, 2023



FILED

01/17/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sandra Loer	01-01-19 to 09-30-20
	(Vacant)	10-01-20 to 10-31-20
	Christy Kindler	11-01-20 to 11-30-21
	Connie L. Cobb	12-01-21 to 12-31-24
President of the Town Council	David Loer	01-01-19 to 09-30-20
	David White	10-01-20 to 12-31-24



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INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE TOWN OF MATTHEWS, GRANT 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 Matthews (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 and Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Statements) are informational only. The Statements have not been subjected to any procedures designed to express an opinion or provide any assurance on them, and, accordingly, we do not express an opinion or provide any assurance on them.

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 Connie L. Cobb, Clerk-Treasurer; David White, President of the Town Council; and Dennis Kendall, Vice President of the Town Council, on December 18, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

November 30, 2024

TOWN OF MATTHEWS
COMMENTS

INTERNAL CONTROLS

Condition and Context

Internal controls were insufficient over the following areas, which resulted in the noncompliance noted in the following comments.

- Bank Account Reconciliations
- Penalties, Interest, and Other Charges
- Motor Vehicle Highway (MVH) - Restricted Fund
- Deposits
- Distributions Incorrectly Posted
- Public Records Retention
- Monthly and Annual Uploads
- Capital Assets
- Customer Billings

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. . . ."

BANK ACCOUNT RECONCILIATIONS

The same comment also appeared in prior Reports B48678 and B55240.

Condition and Context

Three of the four monthly bank reconcilements reviewed were not prepared timely. The September 2019 bank reconciliation was completed in May 2020. The October 2021 bank reconciliation was completed in March 2022. The March 2023 bank reconciliation was completed in June 2023.

TOWN OF MATTHEWS
COMMENTS
(Continued)

Reconcilements of the bank accounts as of December 31, 2019, did not agree to the Town's ledger balances for the Sewage Utility Operating and Storm Water Utility Operating funds. The presented bank reconcilements as of December 31, 2020, 2021, 2022, and 2023 included adjustments from fiscal year 2020 of \$59,610 for the Town account, and \$14,293 for the Utilities account. Adjustments were proposed, accepted by the Town, which resulted in elimination of those adjustments in fiscal year 2024.

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."

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)

PENALTIES, INTEREST, AND OTHER CHARGES

Condition and Context

The Town paid penalties and interest related to payroll taxes totaling \$145 for 2021 and \$42 for 2022. In 2022, the Town paid penalties in the amount of \$90 for 2018 W-2s not filed, and \$90 for 2019 W-2s not filed. During 2024, the Town received notices from the Internal Revenue Service that payroll taxes were submitted for the periods ending March 31, 2021, and June 30, 2021; however, quarterly 941s were not filed for those periods.

The Town paid late charges related to credit card payments, totaling \$117 in 2021.

Criteria

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges 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)

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 MATTHEWS
COMMENTS
(Continued)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

The Motor Vehicle Highway (MVH) distributions for 2020 were incorrectly posted entirely to the MVH fund instead of 50 percent being allocated as required to the MVH Restricted fund. This resulted in the MVH fund receipts being overstated, and the MVH Restricted fund receipts being understated, by a total of \$11,312.

Additionally, the Town transferred money from the MVH Restricted fund on December 1, 2023, in the amount of \$12,000 that was not in excess of the required 50 percent from distributions received during the fiscal year.

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)

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)

DEPOSITS

Condition and Context

In a test of receipts, 5 out of 25 receipts tested where the deposit was greater than \$500 were receipted from 2 to 13 business days after the date of the receipt.

Criteria

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

"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:

TOWN OF MATTHEWS
COMMENTS
(Continued)

(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)."

DISTRIBUTIONS INCORRECTLY POSTED

Condition and Context

The following local distributions were incorrectly posted:

- The Spring 2021 License Excise Tax of \$8,009 and Commercial Vehicle Excise Tax of \$221 were incorrectly posted to the Cumulative Capital Development (CCD) fund instead of to the General fund.
- The May 2021 Supplemental Local Income Tax (LIT) of \$202 was incorrectly posted to the CEDIT fund instead of the General fund.
- The Spring 2023 License Excise Tax of \$6,850 was incorrectly posted to the CCD fund instead of to the General fund.

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)

PUBLIC RECORDS RETENTION

Condition and Context

The Town was not able to provide the following documentation:

- A detailed listing of receipts and disbursements for 2019 and 2020 related to the Storm Water Utility Operating and Sewage Utility Operating funds.
- Employee payroll detail reports for 2019 and 2020.
- 1099 forms for 2020.
- Billing journals for 2021.

TOWN OF MATTHEWS
COMMENTS
(Continued)

- Bank statements for January 2019 through November 2019.

Criteria

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

MONTHLY AND ANNUAL UPLOADS

Condition and Context

Internal controls were not in place to ensure compliance with requirements related to monthly and annual uploads. The files and governmental unit information that are required to be uploaded monthly include the bank reconciliements, approved Town Council minutes, and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

Annual upload requirements include the year-end bank statement, year-end outstanding check list, year-end investments, detail of receipt activity, detail of disbursement activity, current year salary ordinance, and an annual vendor history report.

The Town did not comply with the State Examiner Directive and did not upload any of the required monthly files for the period of October 2020 through December 2021 or any of the required annual files for 2020 through 2023 on the Indiana Gateway for Government Units financial reporting system.

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 MATTHEWS
COMMENTS
(Continued)

CAPITAL ASSETS

Condition and Context

The Town reported \$2,156,198 for 2019 and \$2,190,198 for 2020 through 2023 in capital assets in the Annual Financial Report. However, the Town was not able to provide a capital asset policy, documentation of a physical inventory had been taken at least every two years, or a detailed listing of capital assets 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)

CUSTOMER BILLINGS

Condition and Context

In a test of 25 sewer and storm water billings, sewer amounts billed for 7 customers and stormwater amounts billed for 11 customers were either incorrect or insufficient information was available to determine if proper amounts were billed. The rate ordinances contained various types of nonresidential rates based on number of employees for sewer and based on the square feet of impervious ground for storm water. This information was not available within the customer files. In addition, for 6 of 25 utility collections tested, the posting of the payment to the proper funds could not be determined due to details of receipt reports were not available for the month of December of 2019 or for the 2021 year.

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)

The governing body of a unit must have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balance. Documentation must exist for all efforts made by the unit to collect amounts owed prior to any write-offs. Write-offs or adjustments to records which are not documented or warranted may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS



TOWN OF MATTHEWS
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2019 and 2020

Fund	Cash and Investments			Cash and Investments			Cash and Investments
	01-01-19	Receipts	Disbursements	12-31-19	Receipts	Disbursements	12-31-20
General	\$ 109,173	\$ 228,630	\$ 202,335	\$ 135,468	\$ 243,026	\$ 242,572	\$ 135,922
Motor Vehicle Highway	43,030	12,826	22,194	33,662	22,624	11,510	44,776
Local Road And Street	23,069	9,606	-	32,675	9,130	-	41,805
MVH Restricted	-	12,826	-	12,826	-	-	12,826
Local Law Enforcement Continuing Education Fund	1,784	300	-	2,084	520	-	2,604
Riverboat	8,716	3,531	-	12,247	2,361	2,436	12,172
Cumulative Capital Improvement	2,155	1,361	-	3,516	1,293	-	4,809
Cumulative Capital Development	3,021	-	-	3,021	-	-	3,021
CEDIT	23,441	7,784	-	31,225	7,912	-	39,137
Community Center	5,830	3,420	5,675	3,575	2,930	-	6,505
Garfield Donations	66	-	-	66	-	-	66
Police Ticket Fund	298	12	-	310	4	-	314
Car Show	-	6,290	6,290	-	4,100	4,100	-
Revitalization Fund	18,808	-	-	18,808	-	-	18,808
Police Donation	-	40,000	-	40,000	-	39,059	941
Ball Park Donations	1,303	-	-	1,303	-	-	1,303
Storm Water Utility Operating	122,643	25,954	1,590	147,007	27,867	32,580	142,294
Sewage Utility Operating	125,079	91,429	82,087	134,421	80,707	61,653	153,475
Totals	\$ 488,416	\$ 443,969	\$ 320,171	\$ 612,214	\$ 402,474	\$ 393,910	\$ 620,778

TOWN OF MATTHEWS
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2021 and 2022

Fund	Cash and Investments			Cash and Investments			Cash and Investments		
	01-01-21	Receipts	Disbursements	12-31-21	Receipts	Disbursements	12-31-22		
General	\$ 135,922	\$ 198,726	\$ 206,426	\$ 128,222	\$ 212,039	\$ 214,344	\$ 125,917		
Motor Vehicle Highway	44,776	12,502	14,282	42,996	11,224	37,850	16,370		
Local Road and Street	41,805	9,918	1,926	49,797	9,686	38,604	20,879		
MVH Restricted	12,826	12,502	-	25,328	11,224	28,603	7,949		
Local Law Enforcement Continuing Education Fund	2,604	119	-	2,723	35	-	2,758		
Riverboat	12,172	3,526	12,071	3,627	2,780	-	6,407		
Opioid Settlement Restricted	-	-	-	-	1,910	-	1,910		
Opioid Settlement Unrestricted	-	-	-	-	819	-	819		
Cumulative Capital Improvement	4,809	1,225	-	6,034	896	-	6,930		
Cumulative Capital Development	3,021	8,230	-	11,251	-	-	11,251		
CEDIT (LIT)	39,137	8,717	30,000	17,854	8,009	-	25,863		
Payroll	-	93,466	84,573	8,893	109,504	99,644	18,753		
Community Center	6,505	2,930	4,763	4,672	3,045	-	7,717		
Garfield Donations	66	-	-	66	-	-	66		
Police Ticket Fund	314	9	-	323	-	-	323		
Revitalization Project	18,808	-	-	18,808	-	720	18,088		
Police Donation	941	-	-	941	500	-	1,441		
Ball Park Donations	1,303	-	-	1,303	-	-	1,303		
American Rescue Plan Act Fund	-	63,103	-	63,103	63,581	58,480	68,204		
Storm Water Utility Operating	142,294	26,057	13,866	154,485	28,125	20,898	161,712		
Sewage Utility Operating	153,475	70,714	44,495	179,694	77,171	70,164	186,701		
Totals	\$ 620,778	\$ 511,744	\$ 412,402	\$ 720,120	\$ 540,548	\$ 569,307	\$ 691,361		

TOWN OF MATTHEWS
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2023

Fund	Cash and Investments 01-01-23	Receipts	Disbursements	Cash and Investments 12-31-23
General	\$ 125,917	\$ 224,797	\$ 235,423	\$ 115,291
Motor Vehicle Highway	16,370	34,663	21,271	29,762
Local Road and Street	20,879	9,582	117	30,344
MVH Restricted	7,949	10,638	12,000	6,587
Local Law Enforcement Continuing Education Fund	2,758	40	-	2,798
Riverboat	6,407	2,778	3,000	6,185
Opioid Settlement Restricted	1,910	428	428	1,910
Opioid Settlement Unrestricted	819	146	-	965
Cumulative Capital Improvement	6,930	897	-	7,827
Cumulative Capital Development	11,251	6,849	11,159	6,941
CEDIT (LIT)	25,863	9,605	15,940	19,528
Payroll	18,753	111,882	81,392	49,243
Community Center	7,717	7,645	400	14,962
Garfield Donations	66	-	-	66
Police Ticket Fund	323	10	-	333
Revitalization Project	18,088	-	-	18,088
Police Donation	1,441	-	-	1,441
Ball Park Donations	1,303	-	-	1,303
American Rescue Plan Act Fund	68,204	-	62,416	5,788
Storm Water Utility Operating	161,712	27,186	220	188,678
Sewage Utility Operating	186,701	87,246	65,363	208,584
Totals	<u>\$ 691,361</u>	<u>\$ 534,392</u>	<u>\$ 509,129</u>	<u>\$ 716,624</u>