

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

COMPLIANCE ENGAGEMENT REPORT

OF

TOWN OF MELLOTT

FOUNTAIN COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED

10/25/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Vickie Austin Lyndsey Simmons	01-01-20 to 12-31-21 01-01-22 to 12-31-24
President of the Town Council	Aaron Stonebraker Valerie Smart	01-01-20 to 12-31-23 01-01-24 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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TO: THE OFFICIALS OF THE TOWN OF MELLOTT, FOUNTAIN 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 Mellott (Town), for the period of January 1, 2020 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 Lyndsey Simmons, Clerk-Treasurer, and Aaron Stonebraker, Town Council member, on September 29, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

August 13, 2024

TOWN OF MELLOTT
COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

Internal controls were not in place to ensure that accurate information was entered into the Annual Financial Report (AFR). Financial information is required to be entered annually into the AFR via the Indiana Gateway for Government Units (Gateway) financial reporting system. The information entered into Gateway contained the following errors:

Year	Fund	Beginning Cash and Investments Overstated/(Under)	Receipts Overstated/(Under)	Disbursements Overstated/(Under)	Ending Cash and Investments Overstated/(Under)
2023	General	\$ -	\$ (35,769)	\$ (24,139)	\$ (11,630)
2023	Motor Vehicle Highway	-	(10,146)	(9,452)	(694)
2023	Local Road And Street	-	(1,839)	-	(1,839)
2023	Riverboat	-	(978)	(1,604)	626
2023	Cumulative Capital Improvement Ccif	-	(316)	(1,200)	884
2023	CORONAVIRUS LOCAL FISCAL RELIEF	-	-	(26,101)	26,101

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](#)."

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 MELLOTT
COMMENTS
(Continued)

ADVANCE PAYMENTS

Condition and Context

Internal controls were not in place to ensure advanced payments were not made. The Clerk-Treasurer paid herself the salary for 2023 in January 2023, prior to hours worked for the year. Also, 15 of the 16 salaries tested were paid one month in advance.

Criteria

Compensation and any other payments for goods and services must not be paid in advance of receipt of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

Internal controls were not in place to ensure accurate information was entered into the grant schedule via the Indiana Gateway for Government Units financial reporting system. The Town reported zero grants as part of the 2022 and 2023 grant schedule. The Town spent money as part of ALN 21.027 COVID-19 - Coronavirus State Local Fiscal Recovery Funds in the amount of \$17,105 in 2022 and \$26,101 in 2023. Therefore, the grant schedule was materially incorrect for 2022 and 2023.

Criteria

Indiana Code 5-11-1-4(a) states:

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TOWN OF MELLOTT
COMMENTS
(Continued)

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SUPPORTING DOCUMENTATION

Condition and Context

Internal controls were not in place to ensure that the Town complied with disbursement requirements. Of the 25 claims tested, 4 did not have supporting documentation during the engagement period. These disbursements included items or services purchased from the Fountain County Highway, Vickie Austin, Mellott Fire Department, and Hillsboro Hardware.

Criteria

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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TOWN OF MELLOTT
COMMENTS
(Continued)

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BANK ACCOUNT RECONCILIATIONS

Condition and Context

Internal controls were not in place to ensure bank reconciliations were completed and in a timely manner. The Town did not provide reconciliations for the engagement period.

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."

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CAPITAL ASSETS

Condition and Context

Internal controls were not in place to ensure that the Town adopted a capital asset policy. The Town had not adopted a capital asset policy during the engagement period. The Town reported \$100,546 in capital assets as of December 31, 2023, in the Indiana Gateway for Government Units financial reporting system.

TOWN OF MELLOTT
COMMENTS
(Continued)

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)

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MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

A similar comment appeared in Report B55250.

Condition and Context

Effective January 1, 2019, the State Examiner Directive 2018-2 established that 50 percent of State Motor Vehicle Highway (MVH) distributions shall be maintained in a Motor Vehicle Highway Restricted fund to be allocated for construction, reconstruction, and preservation of the Town's highways.

Internal controls were not in place to ensure the Town accurately reported the MVH Restricted fund in the Annual Financial Report (AFR) via the Indiana Gateway for Government Units financial reporting system. As of January 1, 2020, the Town created the Motor Vehicle Highway Restricted fund and allocated 50 percent or more of State Motor Vehicle Highway distributions for construction, reconstruction, and preservation of the Town's highways. However, the Town did not report the funds separately on its AFR.

Criteria

The purpose of this Directive is to authorize and require . . . 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. . . .

TOWN OF MELLOTT
COMMENTS
(Continued)

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)

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PRESCRIBED FORMS

Condition and Context

Internal controls were not in place to ensure the Town was using the proper prescribed forms. The Town did not use Mileage Claim Form 101 for reimbursement of mileage for the engagement period.

Criteria

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)

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TOWN OF MELLOTT
COMMENTS
(Continued)

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

TOWN OF MELLOTT
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2020 and 2021

Fund	Cash and Investments 01-01-20	Receipts	Disbursements	Cash and Investments 12-31-20	Receipts	Disbursements	Cash and Investments 12-31-21
General	\$ 31,815	\$ 16,905	\$ 23,847	\$ 24,873	\$ 17,521	\$ 23,889	\$ 18,505
Motor Vehicle Highway	9,814	23,927	20,581	13,160	27,548	10,214	30,494
Local Road And Street	8,891	1,637	416	10,112	1,773	-	11,885
Riverboat	6,334	7,233	6,091	7,476	1,166	-	8,642
Cumulative Capital Improvement Ccif	1,157	427	1,102	482	405	-	887
CORONAVIRUS LOCAL FISCAL RELIEF	-	-	-	-	21,787	-	21,787
Totals	<u>\$ 58,011</u>	<u>\$ 50,129</u>	<u>\$ 52,037</u>	<u>\$ 56,103</u>	<u>\$ 70,200</u>	<u>\$ 34,103</u>	<u>\$ 92,200</u>

TOWN OF MELLOTT
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2022 and 2023

Fund	Cash and Investments 01-01-22	Receipts	Disbursements	Cash and Investments 12-31-22	Receipts	Disbursements	Cash and Investments 12-31-23
General	\$ 18,505	\$ 34,408	\$ 26,280	\$ 26,633	\$ 35,769	\$ 24,139	\$ 38,263
Motor Vehicle Highway	30,494	10,390	19,787	21,097	10,146	9,452	21,791
Local Road And Street	11,885	1,797	-	13,682	1,839	-	15,521
Riverboat	8,642	980	-	9,622	978	1,604	8,996
Cumulative Capital Improvement Ccif	887	316	100	1,103	316	1,200	219
CORONAVIRUS LOCAL FISCAL RELIEF	<u>21,787</u>	<u>21,870</u>	<u>17,105</u>	<u>26,552</u>	<u>-</u>	<u>26,101</u>	<u>451</u>
Totals	<u>\$ 92,200</u>	<u>\$ 69,761</u>	<u>\$ 63,272</u>	<u>\$ 98,689</u>	<u>\$ 49,048</u>	<u>\$ 62,496</u>	<u>\$ 85,241</u>