

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MCCORDSVILLE

HANCOCK COUNTY, INDIANA

January 1, 2022 to December 31, 2023



FILED

10/21/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Staci Starcher Stephanie Crider	01-01-22 to 01-10-23 01-11-23 to 12-31-24
President of the Town Council	Tom Strayer Greg Brewer	01-01-22 to 12-31-22 01-01-23 to 12-31-24
Utility Office Manager	Stephanie Crider Beth Morton	01-01-22 to 01-10-23 01-11-23 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF MCCORDSVILLE, HANCOCK COUNTY, INDIANA

This report is supplemental to the audit report of the Town of McCordsville (Town), for the period from January 1, 2022 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 Statement Audit Report of the Town, which provides our opinions on the Town's financial statement. This report may be found at 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

October 2, 2024

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CLERK-TREASURER
TOWN OF MCCORDSVILLE

CLERK-TREASURER
TOWN OF MCCORDSVILLE
AUDIT RESULTS AND COMMENTS

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 failed to upload any of the annual files for the years ended December 31, 2022, and December 31, 2023, on the Indiana Gateway for Government Units financial reporting system for 2022 and 2023. The Town also failed to upload a portion of the monthly files during the audit period. The Town did not upload Town Council minutes for three months during the audit period and also failed to upload all required monthly uploads for the months ended December 31, 2022, and December 31, 2023.

Criteria

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).

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)

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.

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

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

Condition and Context

Internal controls were not in place at the Town to ensure compliance with requirements related to cash and investments.

The lack of internal controls contributed to the following errors:

- For 15 of the 24 months during the audit period, there was no information provided that the Town had reconciled its Wastewater Operating account on a monthly basis. Additionally, bank reconciliations were not completed and uploaded to the Indiana Gateway for Government Units financial reporting system in a timely manner.
- For 15 of the 24 months during the audit period, monthly bank reconciliations were uploaded later than 45 days from month end. It could not be determined if the monthly bank reconciliations had been completed prior to the upload date as there was no documentation that they had been completed prior to the upload date.

There was an unidentified variance (cash long) in the amount of \$108,254 at December 31, 2023, between the adjusted bank balance and book balance.

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

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INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal control system of the Town related to cash and investments, financial close and reporting, and payroll disbursements. The Town had not properly designed or implemented internal controls over cash and investments, financial close and reporting, and payroll disbursements. There were no internal controls in place, such as an oversight, review, or approval process, to ensure their accuracy.

An evaluation of the Town's system of internal controls had not been conducted. Additionally, the Town did not have a process to identify or communicate corrective actions to improve internal controls. Effective internal controls over financial reporting required the Town to monitor and assess the quality of the system of internal controls.

Cash and Investments (Bank Reconciliations)

The Town had not properly designed or implemented internal controls over cash and investments, including bank reconciliations, to ensure the accuracy and completeness of the ledgers and financial statement.

For the year ended December 31, 2022, monthly bank reconciliations were completed by the Clerk-Treasurer and reviewed and approved by a Town Council member. This internal control was not effective in preventing or detecting errors on the monthly bank reconciliations.

For the year ended December 31, 2023, monthly bank reconciliations were completed by the Clerk-Treasurer without any documented oversight or review.

Financial Close and Reporting

The Town had not established internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Town's financial statement. This information was entered into Gateway by the Clerk-Treasurer without any oversight or review. The Town had not established internal controls to prevent, or detect and correct, errors on the Town's financial statement.

Payroll Disbursements

The Town had not properly designed or implemented internal controls over payroll disbursements to prevent, or detect and correct, errors.

For the year ended December 31, 2023, there were no documented internal controls in place over payroll disbursements to prevent, or detect and correct, errors.

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

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:

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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](#)."

McCordsville



OFFICIAL RESPONSE

Date: October 3, 2024

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

Re: Official Response

This letter is in response to the audit exit conference held October 2, 2024, which covered the years 2022 and 2023. I feel that an explanation/rebuttal should be attached to the documentation to more clearly represent the Town's position.

Monthly and Annual Uploads

When I took office on January 10, 2023, after the previous Clerk-Treasurer resigned prior to her full 4-year term, there was an adjustment period. My focus was on the immediate needs of the Town staff, and while the tasks were getting completed, the act of uploading the documents was delayed. Since the audit we have made a concerted effort to make sure these uploads are occurring on time and will continue to in the future.


Bank Reconciliations

While we understand that bank reconciliations must be completed monthly, one of our 4 accounts presented a problem that neither I nor my trusted assistant could reconcile. We brought in an outside CPA consultant firm, who as of this date has not been able to locate the reason for the discrepancy. Our plan is for the CPA consultant to continue investigating and upon receiving a consistent discrepancy for a 6-month period, we will follow the SBOA procedure for correcting the reconciliation.

Internal Controls

We understand the importance of Internal Controls and these actions are taking place on a daily basis. I have a staff of three employees that ensures these procedures are in place. Through the audit process we have a better understanding of the documentation component that must go along with the Internal Controls process, and we will make sure the proper documentation is present to represent the actions we have been taking and will continue to follow.

Thank you,



Stephanie Crider
Clerk-Treasurer
Town of McCordsville

CLERK-TREASURER
TOWN OF MCCORDSVILLE
EXIT CONFERENCE

The contents of this report were discussed on October 2, 2024, with Stephanie Crider, Clerk-Treasurer; Cathy Gardner, Deputy Clerk-Treasurer; and Greg Brewer, President of the Town Council.