

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MARKLE

HUNTINGTON COUNTY, INDIANA

January 1, 2011 to December 31, 2014



FILED
02/16/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Heather M. Monticue	04-28-10 to 12-31-15
President of the Town Council	Jeffery Humbarger	01-01-11 to 12-31-15
Town Supervisor	Richard Asher	01-01-11 to 12-31-15
Superintendent of Water Utility	Stephen Jeffers	01-01-11 to 12-31-15
Superintendent of Wastewater Utility	Scott Spahr	01-01-11 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF MARKLE, HUNTINGTON COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Markle (Town), for the period from January 1, 2011 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statements Examination Report of the Town, which provides our opinion on the Town's financial statements. 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 Examination 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 Examination Results and Comments, incorporated within this report, was not verified for accuracy.

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

November 5, 2015

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CLERK-TREASURER
TOWN OF MARKLE

CLERK-TREASURER
TOWN OF MARKLE
EXAMINATION RESULTS AND COMMENTS

ADVANCE PAYMENTS

The President of the Town Council was paid his entire salary of \$4,500 for each of the years 2013 and 2014 on October 16, 2013, and October 15, 2014, respectively.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. 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 7)

TIME CARDS NOT APPROVED

During a test of payroll expenses, it was noted the Clerk-Treasurer paid some employees based on time cards that were not approved by a supervisor and/or department head. For example, the Town Marshal did not approve bi-monthly time cards submitted by the police department deputies, and no one approved the administrative assistant's bi-monthly time cards. Adequate internal controls should exist to ensure payroll expenses are based on time card information approved by someone with knowledge employees performed the services for which salaries are being paid.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

Capital asset additions and deletions have not been recorded on the capital asset ledger form for numerous years. A similar comment appeared in prior Report B39847.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the applicable Capital Assets Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PUBLIC RECORDS RETENTION

On February 29, 2012, the Town opened bids for the construction of a new water tower. These bids were not retained and therefore, not available for examination.

CLERK-TREASURER
TOWN OF MARKLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-15-6-3, concerning destruction of public records, states in part:

"(d) No financial records or records relating thereto 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 as described in subsection (e).

(f) Original records may be disposed of only with the approval of the commission according to guidelines established by the commission. . . . "

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliation contained errors and did not balance. Each month the Clerk-Treasurer prepared a reconciliation for each bank account, but never investigated the variances between the reconciled balances and the ledger balances. The ledger balance exceeded the bank balance at December 31, 2014 by \$6,403. During 2013, there were correcting entries made that duplicated an error which increased the General fund and Payroll fund balances by a total of \$8,102. The remaining amount of \$1,699 is an unidentified cash long. The Clerk-Treasurer was instructed to correct these posting errors.

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."

ORDINANCES AND RESOLUTIONS - WATER RATES

The Water Utility has an approved rate structure concerning the rates for water usage. This rate structure includes different charges based on meter size and usage. In October 2013, the Town began using a new utility billing system. This system properly calculated the residential customers water bills, but not the commercial customers. The Wastewater portion of the monthly bills was calculated properly for all customers.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLERK-TREASURER
TOWN OF MARKLE
EXIT CONFERENCE

The contents of this report were discussed on November 5, 2015, with Heather M. Monticue, Clerk-Treasurer; and Jeffery Humbarger, President of the Town Council.

TOWN COUNCIL
TOWN OF MARKLE

TOWN COUNCIL
TOWN OF MARKLE
EXAMINATION RESULT AND COMMENT

ORDINANCES AND RESOLUTIONS - CLERK-TREASURER'S SALARY

Town Ordinance number 2009-5 established the compensation of elected Town officials for calendar year 2010 and set the annual salary of the Clerk-Treasurer at \$34,500. This salary was paid to the Clerk-Treasurer who held the office until April 27, 2010. When the current Clerk-Treasurer took office on April 28, 2010, the Town Council reduced the annual salary for the Clerk-Treasurer to \$28,000. This resulted in an underpayment of \$4,062 to the current Clerk-Treasurer for the period April 28, 2010 to December 15, 2010, and \$6,500 for each of the years 2011, 2012, 2013, and 2014.

A similar comment appeared in prior Report B39847.

Indiana Code 36-5-3-2(c) states: "The compensation of an elected town officer may not be changed in the year for which it is fixed, nor may it be reduced below the amount fixed for the previous year."

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN COUNCIL
TOWN OF MARKLE
EXIT CONFERENCE

The contents of this report were discussed on November 5, 2015, with Jeffery Humbarger, President of the Town Council.