

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MEROM

SULLIVAN COUNTY, INDIANA

January 1, 2011 to December 31, 2014



FILED
02/18/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	L. Darlene McKinney	01-01-11 to 03-07-11
	Barbara Mahan	03-08-11 to 03-15-11
	June Shacklett	03-16-11 to 12-31-15
President of the Town Council	Carla Johnson	01-01-11 to 10-14-14
	(Vacant)	10-15-14 to 11-10-14
	Jackie Gettinger	11-11-14 to 12-31-15
Superintendent of Water Utility	Danny Chastain	01-01-11 to 02-27-13
	(Vacant)	02-28-13 to 03-09-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF MEROM, SULLIVAN COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Merom (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

October 28, 2015

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CLERK-TREASURER
TOWN OF MEROM

CLERK-TREASURER
TOWN OF MEROM
EXAMINATION RESULTS AND COMMENTS

PENALTIES AND INTEREST

Penalties and interest totaling \$443 were assessed against the Town and paid to three Federal and State agencies as follows:

Agency	Amount
Internal Revenue Service	\$ 298
Indiana Department of Revenue	129
Indiana Department of Workforce Development	16
Total	\$ 443

A similar comment appeared in prior Report B40340.

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 governmental 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 governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

Fund	Years	Excess Amount Expended
Motor Vehicle Highway	2011	\$ 1,947
Local Road & Street	2011	291
General	2012	3,642
Local Road & Street	2012	1,169
General	2013	9,681
General	2014	10,854
Motor Vehicle Highway	2014	1,124
Local Road & Street	2014	1,165

A similar comment appeared in prior Report B40340.

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

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

ANNUAL FINANCIAL REPORT

The 2014 Annual Financial Report filed electronically on Gateway was incomplete. The report did not include the receipts, disbursements, and ending balances for all Town and Water Utility funds. Examination adjustments were proposed, accepted by management, and made to the financial statements presented for examination.

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were incomplete, contained numerous uncorrected posting errors, and did not reconcile to the funds ledger.

A similar comment appeared in prior Report B40340.

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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONDITION OF RECORDS

Financial records presented for audit were incomplete and not reflective of the activity of the Cemetery Fund. The majority of the deficiencies were a result of the cemetery bank account not maintained on the computerized accounting system.

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 MEROM
EXIT CONFERENCE

The contents of this report were discussed on October 28, 2015, with June Shacklett, Clerk-Treasurer, and Jackie Gettinger, President of the Town Council.

TOWN COUNCIL
TOWN OF MEROM

TOWN COUNCIL
TOWN OF MEROM
EXAMINATION RESULTS AND COMMENTS

SALARY ORDINANCES

The Salary Ordinance for 2013 was not signed by the Town Council. A Salary Ordinance for 2014 was not presented for examination.

A similar comment appeared in prior Report B40340.

All compensation and benefits paid to officials and employees must be included in the salary ordinance adopted by the legislative body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

LACK OF POLICIES FOR NEPOTISM AND CONTRACTING WITH A UNIT

The Town has not adopted a policy concerning nepotism in accordance with Indiana Code 36-1-20.2-9. The Town also has not adopted a policy concerning contracting with relatives of elected officials in accordance with Indiana Code 36-1-21-4.

Indiana Code 36-1-20.2-9 states:

"(a) This chapter establishes minimum requirements regarding employment of relatives. The legislative body of the unit shall adopt a policy that includes, at a minimum, the requirements set forth in this chapter. However, the policy may:

- (1) include requirements that are more stringent or detailed than any provision in this chapter; and
- (2) apply to individuals who are exempted or excluded from the application of this chapter.

The unit may prohibit the employment of a relative that is not otherwise prohibited by this chapter.

(b) The annual report filed by a unit with the state board of accounts under IC 5-11-13-1 must include a statement by the executive of the unit stating whether the unit has implemented a policy under this chapter."

Indiana Code 36-1-21-4 states:

"(a) This chapter establishes minimum requirements regarding contracting with a unit. The legislative body of the unit shall adopt a policy that includes, at a minimum, the requirements set forth in this chapter. However, the policy may:

- (1) include requirements that are more stringent or detailed than any provision in this chapter; and
- (2) apply to individuals who are exempted or excluded from the application of this chapter.

TOWN COUNCIL
TOWN OF MEROM
EXAMINATION RESULTS AND COMMENTS
(Continued)

The unit may prohibit or restrict an individual from entering into a contract with the unit that is not otherwise prohibited or restricted by this chapter.

(b) The annual report filed by a unit with the state board of accounts under IC 5-11-13-1 must include a statement by the executive of the unit stating whether the unit has implemented a policy under this chapter."

CONTRACTED SERVICES

The Town paid for fire protection services from a volunteer fire department and for mowing services from a vendor without a written contract.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN COUNCIL
TOWN OF MEROM
EXIT CONFERENCE

The contents of this report were discussed on October 28, 2015, with June Shacklett, Clerk-Treasurer, and Jackie Gettinger, President of the Town Council.