

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

COMPLIANCE REPORT

OF

TOWN OF WALLACE

FOUNTAIN COUNTY, INDIANA

January 1, 2012 to December 31, 2016



**FILED**  
08/09/2017



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Marilyn Sowers	01-01-10 to 12-31-13
	Rebecca Jones	01-01-14 to 11-04-16
	(Vacant)	11-05-16 to 06-08-17
President of the Town Council	Tony Shuman	01-01-12 to 12-31-13
	Marilyn Sowers	01-01-14 to 12-31-17



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF WALLACE, FOUNTAIN COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Town of Wallace (Town), for the period January 1, 2012 to December 31, 2016, to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

The 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 Results and Comments, incorporated within this report, was not verified for accuracy.

The Annual Financial Reports filed by the Town can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

June 8, 2017

CLERK-TREASURER  
TOWN OF WALLACE  
RESULTS AND COMMENTS

**BANK ACCOUNT RECONCILIATIONS**

As stated in prior Reports B38088 and B41342, depository reconciliations of the fund balances to the bank account balances were not performed and, therefore, not presented for examination during the period examined.

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."

**ANNUAL FINANCIAL REPORT**

The Annual Financial Report (AFR) for 2012, 2013, and 2015 did not match the Town's records as shown in the table below:

Years	Fund	Category	Amount per AFR	Amount per Ledger	Difference
2012	General	Beginning Balance	\$ 14,286.05	\$ 1,707.32	\$ 12,578.73
2012	General	Receipts	13,588.74	8,150.27	5,438.47
2012	General	Disbursements	16,670.71	9,841.20	6,829.51
2012	General	Ending Balance	11,204.08	16.39	11,187.69
2012	MVH	Beginning Balance	-	5,260.55	(5,260.55)
2012	MVH	Receipts	-	3,701.57	(3,701.57)
2012	MVH	Disbursements	-	5,178.11	(5,178.11)
2012	MVH	Ending Balance	-	3,784.01	(3,784.01)
2012	LRS	Beginning Balance	-	3,377.14	(3,377.14)
2012	LRS	Receipts	-	339.44	(339.44)
2012	LRS	Ending Balance	-	3,716.58	(3,716.58)
2012	Donations	Beginning Balance	-	40.00	(40.00)
2012	Donations	Ending Balance	-	40.00	(40.00)
2012	Riverboat	Beginning Balance	-	1,251.60	(1,251.60)
2012	Riverboat	Receipts	-	622.01	(622.01)
2012	Riverboat	Disbursements	-	800.00	(800.00)
2012	Riverboat	Ending Balance	-	1,073.61	(1,073.61)
2012	CCD	Beginning Balance	-	600.00	(600.00)
2012	CCD	Ending Balance	-	600.00	(600.00)
2012	CCI	Beginning Balance	-	2,049.00	(2,049.00)
2012	CCI	Receipts	-	278.48	(278.48)
2012	CCI	Ending Balance	-	2,327.48	(2,327.48)
2013	General	Beginning Balance	11,204.08	16.39	11,187.69
2013	General	Receipts	-	5,791.13	(5,791.13)
2013	General	Disbursements	-	5,822.28	(5,822.28)
2013	General	Ending Balance	11,204.08	(14.76)	11,218.84
2013	MVH	Beginning Balance	-	3,784.01	(3,784.01)
2013	MVH	Receipts	-	3,836.92	(3,836.92)

CLERK-TREASURER  
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Years	Fund	Category	Amount per AFR	Amount per Ledger	Difference
2013	MVH	Disbursements	-	5,272.94	(5,272.94)
2013	MVH	Ending Balance	-	2,347.99	(2,347.99)
2013	LRS	Beginning Balance	-	3,716.58	(3,716.58)
2013	LRS	Receipts	-	341.75	(341.75)
2013	LRS	Ending Balance	-	4,058.33	(4,058.33)
2013	Donations	Beginning Balance	-	40.00	(40.00)
2013	Donations	Ending Balance	-	40.00	(40.00)
2013	Riverboat	Beginning Balance	-	1,073.61	(1,073.61)
2013	Riverboat	Receipts	-	622.01	(622.01)
2013	Riverboat	Disbursements	-	960.00	(960.00)
2013	Riverboat	Ending Balance	-	735.62	(735.62)
2013	CCD	Beginning Balance	-	600.00	(600.00)
2013	CCD	Ending Balance	-	600.00	(600.00)
2013	CCI	Beginning Balance	-	2,327.48	(2,327.48)
2013	CCI	Receipts	-	281.87	(281.87)
2013	CCI	Ending Balance	-	2,609.35	(2,609.35)
2015	General	Beginning Balance	11,204.08	(5,446.53)	16,650.61
2015	General	Receipts	5,664.28	1,578.11	4,086.17
2015	General	Disbursements	7,938.55	4,676.36	3,262.19
2015	General	Ending Balance	8,929.81	(8,544.78)	17,474.59
2015	MVH	Beginning Balance	-	4,293.46	(4,293.46)
2015	MVH	Receipts	-	3,889.95	(3,889.95)
2015	MVH	Disbursements	-	2,497.96	(2,497.96)
2015	MVH	Ending Balance	-	5,685.45	(5,685.45)
2015	LRS	Beginning Balance	-	4,399.56	(4,399.56)
2015	LRS	Receipts	-	306.56	(306.56)
2015	LRS	Ending Balance	-	4,706.12	(4,706.12)
2015	Donations	Beginning Balance	-	120.00	(120.00)
2015	Donations	Ending Balance	-	120.00	(120.00)
2015	Riverboat	Beginning Balance	-	617.63	(617.63)
2015	Riverboat	Receipts	-	622.01	(622.01)
2015	Riverboat	Disbursements	-	500.00	(500.00)
2015	Riverboat	Ending Balance	-	739.64	(739.64)
2015	CCD	Beginning Balance	-	600.00	(600.00)
2015	CCD	Ending Balance	-	600.00	(600.00)
2015	CCI	Beginning Balance	-	2,362.09	(2,362.09)
2015	CCI	Receipts	-	263.74	(263.74)
2015	CCI	Ending Balance	-	2,625.83	(2,625.83)

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."

CLERK-TREASURER  
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**OVERDRAWN CASH BALANCES**

The following funds had overdrawn fund balances at December 31:

<u>Years</u>	<u>Fund</u>	<u>Amount Overdrawn</u>
2013	General	\$ 15
2014	General	5,447
2015	General	8,545
2016	General	15,608

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**BUDGET**

The Town did not have an approved budget from the Indiana Department of Local Government Finance for 2012, 2013, 2014, 2015, and 2016.

Indiana Code 6-1.1-18-4 states: "Except as otherwise provided in this chapter, 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."

**CONDITION OF RECORDS**

As stated in prior Reports B38088 and B41342, deficiencies relating to recordkeeping continued to exist. We noted posting errors and the Ledger of Receipts, Disbursements, and Balances was not properly maintained.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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)

**DEPOSITS NOT MADE TIMELY**

As stated in prior Report B41342, receipts were deposited later than the next business day. For 2012, 2013, 2014, 2015, and 2016, 388 receipts were tested and 223 were deposited later than the next business day.

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

". . . a town shall deposit funds not later than the next business day following the receipt of the funds in depositories:

- (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."

Effective July 1, 2015, 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): . . .

- (3) A city or a town required to deposit funds under subsection (d).

However, the funds on hand must be deposited not later than the business day following the day that the funds exceed five hundred dollars (\$500)."

**FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS**

As stated in prior Reports B38088 and B41342, the Town did not comply with directives of the Internal Revenue Service (IRS) by failing to withhold payroll taxes and issue IRS Form W-2 - Wage and Tax Statement to officials.

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, 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)

**INACCURATE FORM 100-R**

The Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R) was inaccurate. In 2012, the President of the Town Council was reported as being paid \$600 when the actual amount paid was \$700. In 2013, the Clerk-Treasurer, two Town Council members, and President of the Town Council were reported as being paid \$0 when they were paid \$1,000, \$600, \$600, and \$700, respectively.

Indiana Code 5-11-13-1(a) states in part:

"Every state, county, city, town, township, or school official, elective or appointive, who is the head of or in charge of any office, department, board, or commission of the state or of any county, city, town, or township, and every state, county, city, town, or township employee or agent who is the head of, or in charge of, or the executive officer of any department, bureau, board, or commission of the state, county, city, town, or township, and every executive officer

CLERK-TREASURER  
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by whatever title designated, who is in charge of any state educational institution or of any other state, county, or city institution, shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents in their respective offices, departments, boards, commissions, and institutions, and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts. . . ."

***ANNUAL FINANCIAL REPORT FILED LATE***

The Annual Financial Report (AFR) was not filed with the State Examiner for 2014. The AFR for 2013 was filed on March 31, 2014, which was 30 days past the due date.

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."

***LATE FILING OF FORM 100-R***

The Town did not timely file a Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R) with the Indiana State Board of Accounts for 2013 or 2015. The reports were filed on March 11, 2014, and February 7, 2016, which were 39 and 7 days past the due date of January 31.

The Town did not file a Form 100-R with the Indiana State Board of Accounts for 2014 or 2016.

Indiana Code 5-11-13-1(a) states:

"Every state, county, city, town, township, or school official, elective or appointive, who is the head of or in charge of any office, department, board, or commission of the state or of any county, city, town, or township, and every state, county, city, town, or township employee or agent who is the head of, or in charge of, or the executive officer of any department, bureau, board, or commission of the state, county, city, town, or township, and every executive officer by whatever title designated, who is in charge of any state educational institution or of any other state, county, or city institution, shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents in their respective offices, departments, boards, commissions, and institutions, and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts. . . ."

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***SALARY ORDINANCE***

The Town Council did not adopt an ordinance establishing the compensation of officers for 2012, 2013, 2014, 2015, and 2016.

Indiana Code 36-5-3-2(b) states: "The town legislative body shall, by ordinance, fix the compensation of its own members, the town clerk-treasurer, and the town marshal. The legislative body shall provide reasonable compensation for other town officers and employees."

***NEPOTISM POLICY***

The Town did not have a Nepotism Policy for 2012, 2013, 2014, 2015, and 2016.

Indiana Code 36-1-20.2-9(a) states in part: "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. . . ."

***ANNUAL NEPOTISM CERTIFICATION***

Each elected officer did not annually certify in writing that the officer had not violated Indiana Code 36-1-20.2 regarding nepotism by December 31, 2012, 2013, 2014, 2015, or 2016.

Indiana Code 36-1-20.2-16 states: "Each elected officer of the unit shall annually certify in writing, subject to the penalties for perjury, that the officer has not violated this chapter. An officer shall submit the certification to the executive of the unit not later than December 31 of each year."

***CONTRACTING POLICY***

The Town did not have a policy regarding elected officials contracting with relatives for 2012, 2013, 2014, 2015, and 2016 as required by statute.

Indiana Code 36-1-21-4(a) states in part: "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. . . ."

***ANNUAL CONTRACTING POLICY CERTIFICATION***

Each elected officer did not certify in writing that the officer had not violated Indiana Code 36-1-21 by December 31, 2012, 2013, 2014, 2015, or 2016.

Indiana Code 36-1-21-6 states: "Each elected officer of the unit shall annually certify in writing, subject to the penalties for perjury, that the officer is in compliance with this chapter. An officer shall submit the certification to the executive of the unit not later than December 31 of each year."

CLERK-TREASURER  
TOWN OF WALLACE  
EXIT CONFERENCE

The contents of this report were discussed on June 8, 2017 with Marilyn Sowers, President of the Town Council, and Bonnie Harris, Town Council member.

We attempted to contact Rebecca Jones, Clerk-Treasurer, by phone to schedule an exit conference and did not receive a response.