

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

COMPLIANCE REPORT

OF

TOWN OF MT. CARMEL

FRANKLIN COUNTY, INDIANA

January 1, 2010 to December 31, 2016



FILED
08/29/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jerry E. Day	01-01-09 to 12-31-13
	Tina Blair	01-01-14 to 05-31-15
	Rosa Kuehn	06-01-15 to 05-31-16
	Eddie L. Walker (interim)	06-01-16 to 12-31-17
President of the Town Council	Robert Hoffman	01-01-10 to 12-31-13
	Debra Baker	01-01-14 to 05-31-16
	Eddie L. Walker	06-01-16 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF MT. CARMEL, FRANKLIN COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Town of Mt. Carmel (Town), for the period January 1, 2010 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 Town Annual Financial Reports filed for years prior to 2011 can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/. For years 2011 and later, 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

July 13, 2017

TOWN OF MT. CARMEL
RESULTS AND COMMENTS

CONDITION OF RECORDS

The Town's ledgers were not presented for 2010, 2011, 2012, and 2013. The fund activity was abstracted from bank records to determine the receipts, disbursements, and balances for these years. In addition, documentation supporting disbursements in 2010 and 2011 was not provided.

A similar comment appeared in prior Reports B38154, B33822, and B28604.

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)

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records 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 in accordance with a retention schedule or with the written consent of the administration."

BANK ACCOUNT RECONCILIATIONS

Monthly depository reconciliations of the fund balances to the bank account balances were not presented for January 2010 through December 2013.

A similar comment appeared in prior Reports B38154, B33822, and B28604.

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."

OPTICAL IMAGES OF CHECKS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks. The backside or endorsement side of the checks was not returned.

Indiana Code 5-15-5.1-10(a) states in part:

"Each . . . local government shall:

- (1) Make and preserve records containing adequate and proper documentation of . . . essential transactions of the . . . local government to protect the legal and financial rights of the government . . ."

TOWN OF MT. CARMEL
RESULTS AND COMMENTS
(Continued)

Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information se in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference. . . .

(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a). . . ."

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records 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 in accordance with a retention schedule or with the written consent of the administration."

ANNUAL FINANCIAL REPORTS

The Annual Financial Reports (AFR) filed for 2010, 2011, 2012, 2013, 2014, 2015, and 2016 contained a number of errors and did not match the Town's records. These errors were later corrected and the AFRs were refiled.

Years	Fund	Category	Amount per AFR	Amount per Corrected Ledger	Difference
2010	General	Receipts	\$ 3,529.96	\$ 3,406.13	\$ 123.83
2010	General	Disbursements	4,419.00	4,479.00	(60.00)
2010	General	Ending Balance	(789.04)	(972.87)	183.83
2010	Motor Vehicle Highway	Receipts	2,522.51	2,902.02	(379.51)
2010	Motor Vehicle Highway	Ending Balance	1,122.31	1,501.82	(379.51)
2010	Local Road and Street	Receipts	514.47	566.63	(52.16)
2010	Local Road and Street	Ending Balance	666.26	718.42	(52.16)
2011	General	Beginning Balance	(789.04)	(972.87)	183.83
2011	General	Receipts	3,653.68	3,590.07	63.61
2011	General	Disbursements	5,856.15	5,733.92	122.23
2011	General	Ending Balance	(2,991.51)	(3,116.72)	125.21
2011	Motor Vehicle Highway	Beginning Balance	1,122.31	1,501.82	(379.51)
2011	Motor Vehicle Highway	Receipts	2,539.15	2,805.55	(266.40)
2011	Motor Vehicle Highway	Disbursements	1,561.34	1,993.11	(431.77)
2011	Motor Vehicle Highway	Ending Balance	2,100.12	2,314.26	(214.14)
2011	Local Road and Street	Beginning Balance	666.26	718.42	(52.16)
2011	Local Road and Street	Receipts	394.54	549.05	(154.51)
2011	Local Road and Street	Disbursements	208.94	421.76	(212.82)

TOWN OF MT. CARMEL
RESULTS AND COMMENTS
(Continued)

Years	Fund	Category	Amount per AFR	Amount per Corrected Ledger	Difference
2011	Local Road and Street	Ending Balance	851.86	845.71	6.15
2011	Cumulative Capital Improvement	Disbursements	421.76	-	421.76
2011	Cumulative Capital Improvement	Ending Balance	251.61	673.37	(421.76)
2012	General	Beginning Balance	(2,991.51)	(3,116.72)	125.21
2012	General	Receipts	3,334.36	3,332.36	2.00
2012	General	Disbursements	3,360.74	5,386.74	(2,026.00)
2012	General	Ending Balance	(3,017.89)	(5,171.10)	2,153.21
2012	Motor Vehicle Highway	Beginning Balance	2,100.12	2,314.26	(214.14)
2012	Motor Vehicle Highway	Receipts	2,438.06	2,439.06	(1.00)
2012	Motor Vehicle Highway	Disbursements	1,478.01	1,523.12	(45.11)
2012	Motor Vehicle Highway	Ending Balance	3,060.17	3,230.20	(170.03)
2012	Local Road and Street	Beginning Balance	851.86	845.71	6.15
2012	Local Road and Street	Disbursements	45.11	-	45.11
2012	Local Road and Street	Ending Balance	1,345.66	1,384.62	(38.96)
2012	Cumulative Capital Improvement	Beginning Balance	251.61	673.37	(421.76)
2012	Cumulative Capital Improvement	Ending Balance	479.70	901.46	(421.76)
2013	General	Beginning Balance	(3,017.89)	(5,171.10)	2,153.21
2013	General	Receipts	10,506.37	10,569.34	(62.97)
2013	General	Disbursements	5,370.62	5,335.62	35.00
2013	General	Ending Balance	2,117.86	62.62	2,055.24
2013	Motor Vehicle Highway	Beginning Balance	3,060.17	3,230.20	(170.03)
2013	Motor Vehicle Highway	Ending Balance	3,768.60	3,938.63	(170.03)
2013	Local Road and Street	Beginning Balance	1,345.66	1,384.62	(38.96)
2013	Local Road and Street	Ending Balance	1,667.26	1,706.22	(38.96)
2013	Cumulative Capital Improvement	Beginning Balance	479.70	901.46	(421.76)
2013	Cumulative Capital Improvement	Receipts	293.83	230.86	62.97
2013	Cumulative Capital Improvement	Ending Balance	773.53	1,132.32	(358.79)
2014	General	Beginning Balance	2,117.86	62.62	2,055.24
2014	General	Ending Balance	12,768.39	10,713.15	2,055.24
2014	Motor Vehicle Highway	Beginning Balance	3,768.60	3,938.63	(170.03)
2014	Motor Vehicle Highway	Ending Balance	5,155.25	5,325.28	(170.03)
2014	Local Road and Street	Beginning Balance	1,667.26	1,706.22	(38.96)
2014	Local Road and Street	Ending Balance	2,120.99	2,159.95	(38.96)
2014	Cumulative Capital Improvement	Beginning Balance	773.53	1,132.32	(358.79)
2014	Cumulative Capital Improvement	Ending Balance	1,001.01	1,359.80	(358.79)
2015	General	Beginning Balance	12,768.39	10,713.15	2,055.24
2015	General	Ending Balance	23,973.35	21,918.11	2,055.24
2015	Motor Vehicle Highway	Beginning Balance	5,155.25	5,325.28	(170.03)
2015	Motor Vehicle Highway	Ending Balance	6,594.69	6,764.72	(170.03)
2015	Local Road and Street	Beginning Balance	2,120.99	2,159.95	(38.96)
2015	Local Road and Street	Ending Balance	2,391.20	2,430.16	(38.96)
2015	Cumulative Capital Improvement	Beginning Balance	1,001.01	1,359.80	(358.79)
2015	Cumulative Capital Improvement	Ending Balance	1,217.02	1,575.81	(358.79)
2016	General	Beginning Balance	23,973.35	21,918.11	2,055.24
2016	General	Ending Balance	24,480.53	22,425.29	2,055.24
2016	Motor Vehicle Highway	Beginning Balance	6,594.69	6,764.72	(170.03)
2016	Motor Vehicle Highway	Ending Balance	8,047.63	8,217.66	(170.03)
2016	Local Road and Street	Beginning Balance	2,391.20	2,430.16	(38.96)
2016	Local Road and Street	Ending Balance	2,922.14	2,961.10	(38.96)
2016	Cumulative Capital Improvement	Beginning Balance	1,217.02	1,575.81	(358.79)
2016	Cumulative Capital Improvement	Ending Balance	873.98	1,232.77	(358.79)

TOWN OF MT. CARMEL
RESULTS AND COMMENTS
(Continued)

In addition, the Town did not timely file an AFR for 2010, 2011, 2014, and 2015.

<u>Years</u>	<u>Date Filed</u>	<u>Date Due</u>	<u>Days Late</u>
2010	06-22-11	03-01-11	113
2011	05-02-12	02-29-12	63
2014	08-25-16	03-01-15	543
2015	08-30-16	02-29-16	183

A similar comment appeared in prior Reports B38154, B33822, and B28604.

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."

OVERDRAWN CASH BALANCES

The General fund had an overdrawn cash balance at December 31, 2010, 2011, and 2012 of \$973, \$3,117, and \$5,171, respectively.

A similar comment appeared in prior Reports B38154, B33822, and B28604.

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 unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TRANSFERS

On January 1, 2010, transfers were made between funds without the Town passing an ordinance as required by Indiana Code 36-5-4-13.

Indiana Code 36-5-4-13(a) states in part:

". . . this subsection applies to a town with a population of five hundred (500) or less. Notwithstanding the provisions of any other statute, a town may transfer money from any town fund to another town fund after the passage of an ordinance or a resolution by the town legislative body specifying the:

- (1) amount of the transfer;
- (2) funds involved;
- (3) date of the transfer; and
- (4) general purpose of the transfer."

TOWN OF MT. CARMEL
RESULTS AND COMMENTS
(Continued)

COMPENSATION

The Town Council did not adopt an ordinance establishing the compensation of officers and employees for 2010, 2011, 2012, 2013, 2014, 2015, and 2016. Employees were paid without Social Security and Medicare taxes being withheld for 2010, 2011, 2012, 2013, 2014, and 2015. Internal Revenue Service Form W-2, Wage and Tax Statement was not issued for all employees for 2010, 2011, 2012, 2013, 2014, and 2015.

A similar comment appeared in prior Report B38154.

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."

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. 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 1)

RECORD OF HOURS WORKED

The Town Marshal was paid an hourly wage, but detailed documentation of the hours and days worked was not always maintained.

Indiana Code 5-11-9-4(b) states in part:

"The state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees:

(1) covered by section . . . 2 of this chapter; . . ."

Indiana Code 5-11-9-2 states in part: ". . . all accounts or vouchers of any political subdivision of the state for personal services of officers and employees shall be made in such form as may be prescribed by the state board of accounts."

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employee's Service Record
General Form 99B, Employee's Earnings Record
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN OF MT. CARMEL
RESULTS AND COMMENTS
(Continued)

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)

ANNUAL FINANCIAL REPORTS NOT PUBLISHED

The Annual Financial Reports were not published in accordance with Indiana Code 5-3-1-3 for 2010, 2011, 2012, 2013, 2014, 2015, and 2016.

A similar comment appeared in prior Reports B38154, B33822, and B28604.

Indiana Code 5-3-1-3(a) states: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town during the preceding calendar year."

CERTIFIED REPORTS FILED AFTER DUE DATE

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 the year 2014 and 2015. The 2014 report was filed on March 1, 2015, which was 29 days past the due date, and the 2015 report was filed on August 29, 2016, which was 211 days past the due date.

A similar comment appeared in prior Reports B38154, B33822, and B28604.

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

"Every . . . town . . . official . . . 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 . . . 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. . . ."

NEPOTISM

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

Additionally, each elected officer did not certify in writing that the officer had not violated Indiana Code 36-1-20.2 by December 31, 2012, 2013, 2014, 2015, and 2016 as required.

Indiana Code 36-1-20.2-9(a) states in part: ". . . The legislative body of the unit shall adopt a policy that includes, at a minimum, the requirements set forth in this chapter."

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."

TOWN OF MT. CARMEL
RESULTS AND COMMENTS
(Continued)

CONTRACTING

The Town did not have a contracting policy for years 2012, 2013, 2014, 2015, and 2016.

Additionally, 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, and 2016 as required.

Indiana Code 36-1-21-4(a) states in part: ". . . The legislative body of the unit shall adopt a policy that includes, at a minimum, the requirements set forth in this chapter. . . ."

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."

TOWN OF MT. CARMEL
EXIT CONFERENCE

The contents of this report were discussed on July 13, 2017, with Eddie L. Walker, interim Clerk-Treasurer.