

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

COMPLIANCE REPORT

OF

TOWN OF MATTHEWS

GRANT COUNTY, INDIANA

January 1, 2011 to December 31, 2016



**FILED**  
09/12/2017



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sandra C. Loer	09-07-10 to 12-31-19
President of the Town Council	David C. Loer	01-01-11 to 12-31-17



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF MATTHEWS, GRANT COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Town of Matthews (Town), for the period January 1, 2011 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/](http://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 20, 2017

## TOWN OF MATTHEWS RESULTS AND COMMENTS

### **CONDITION OF RECORDS**

The Town maintained three separate and independent types of records.

#### 1. Computerized Accounting System

A computerized accounting software, designed by an outside vendor specifically for use in towns and other governmental units, was used for both Town and utility records to record receipts and disbursements. Reports were not generated from the system and we were unable to obtain cash balances.

#### 2. Generic Accounting Software

A generic accounting software application, QuickBooks, was used. There were two separate QuickBooks files used; one for the Town funds and one for the utility funds. QuickBooks was used by the Clerk-Treasurer solely for depository reconcilements. The Clerk-Treasurer simply entered all deposits and checks written on the respective checking accounts, then used this information to reconcile the depository/bank account monthly. A comparison of the depository reconcilements to the ledger maintained in QuickBooks indicated the Town checking account was not balanced in 2011 and 2012, and the Utility checking account was not balanced in 2011, 2012, 2013, and 2014. The fund activity of each individual town or utility fund was not maintained in QuickBooks.

#### 3. Manual Calculation - Spreadsheet Report

The Clerk-Treasurer maintained individual fund balances by manually adding all receipts and disbursements by fund on an adding machine tape and entering them into a computerized Excel spreadsheet/report, which included the beginning fund balance from the prior month. The ending balance was then calculated based on information entered into the Excel report. No adding machine tapes or other documentation was presented to support the receipts and disbursements calculated.

The total cash balance was reconciled to the depository balances in the QuickBooks files; however, the cash balances reflected in the QuickBooks program did not agree with the total fund balances reflected on the manual Excel report prepared by the Clerk-Treasurer. Additionally, the receipts and disbursements reflected in the computerized accounting system did not agree with deposits and checks posted to the QuickBooks files.

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)

### **ANNUAL FINANCIAL REPORT**

The cash balances, total receipts, and total disbursements reflected in the Annual Financial Report (AFR) for 2011, 2012, 2013, 2014, 2015, and 2016 contained errors and did not match the records of the Town as shown below.

TOWN OF MATTHEWS  
RESULTS AND COMMENTS  
(Continued)

Years	Category	Amount per AFR	Amount per Ledger	Difference
2011	Beginning Balance - Town Funds	\$ 192,772	\$ 194,534	\$ (1,762)
2011	Beginning Balance - Utility Funds	197,398	193,752	3,646
2011	Receipts - Town Funds	358,551	406,473	(47,922)
2011	Receipts - Utility Funds	153,557	136,734	16,823
2011	Disbursements - Town Funds	326,354	378,679	(52,325)
2011	Disbursements - Utility Funds	174,615	157,573	17,042
2011	Ending Balance - Town Funds	224,969	222,328	2,641
2011	Ending Balance - Utility Funds	176,340	172,912	3,428
2012	Beginning Balance - Town Funds	224,969	222,328	2,641
2012	Beginning Balance - Utility Funds	176,340	172,912	3,428
2012	Receipts - Town Funds	261,508	213,347	48,161
2012	Receipts - Utility Funds	117,837	105,988	11,849
2012	Disbursements - Town Funds	350,334	313,295	37,039
2012	Disbursements - Utility Funds	75,999	76,516	(517)
2012	Ending Balance - Town Funds	136,143	122,380	13,763
2012	Ending Balance - Utility Funds	218,178	202,384	15,794
2013	Beginning Balance - Town Funds	136,143	122,380	13,763
2013	Beginning Balance - Utility Funds	218,178	202,384	15,794
2013	Receipts - Town Funds	302,775	251,962	50,813
2013	Receipts - Utility Funds	112,221	123,161	(10,940)
2013	Disbursements - Town Funds	241,657	205,197	36,460
2013	Disbursements - Utility Funds	77,548	77,527	21
2013	Ending Balance - Town Funds	197,261	169,145	28,116
2013	Ending Balance - Utility Funds	252,851	248,018	4,833
2014	Beginning Balance - Town Funds	197,261	169,145	28,116
2014	Beginning Balance - Utility Funds	252,851	248,018	4,833
2014	Receipts - Town Funds	203,998	204,408	(410)
2014	Receipts - Utility Funds	109,301	109,499	(198)
2014	Disbursements - Town Funds	262,209	256,670	5,539
2014	Ending Balance - Town Funds	139,050	116,883	22,167
2014	Ending Balance - Utility Funds	221,592	216,957	4,635
2015	Beginning Balance - Town Funds	139,050	116,883	22,167
2015	Beginning Balance - Utility Funds	221,592	216,957	4,635
2015	Receipts - Town Funds	211,224	210,616	608
2015	Receipts - Utility Funds	110,488	111,210	(722)
2015	Disbursements - Town Funds	191,091	185,704	5,387
2015	Disbursements - Utility Funds	109,175	106,492	2,683
2015	Ending Balance - Town Funds	159,183	141,795	17,388
2015	Ending Balance - Utility Funds	222,905	221,675	1,230
2016	Beginning Balance - Town Funds	159,183	141,795	17,388
2016	Beginning Balance - Utility Funds	222,905	221,675	1,230
2016	Receipts - Town Funds	288,063	292,370	(4,307)
2016	Receipts - Utility Funds	106,509	106,533	(24)
2016	Disbursements - Town Funds	216,131	212,405	3,726
2016	Disbursements - Utility Funds	107,794	108,060	(266)
2016	Ending Balance - Town Funds	231,115	221,760	9,355
2016	Ending Balance - Utility Funds	221,619	220,148	1,471

TOWN OF MATTHEWS  
RESULTS AND COMMENTS  
(Continued)

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."

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)

### ***BANK RECONCILEMENTS***

Depository reconciliations of the total cash balances to the bank account balances were conducted in a generic accounting software program; however, the reconciliations did not balance in 2011 and 2012 for the Town funds and 2011, 2012, 2013, and 2014 for the utility funds.

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."

### ***PRESCRIBED FORMS***

The Town used a generic accounting software application for maintaining financial information required for bank reconcilements. The forms used related to this application had not been approved.

The Town used a computerized accounting software designed for towns and other governmental units to maintain receipts and disbursements of the Town and utility; however, the software application was not used properly and resulted in missing and unreliable information.

The Town used a computerized spreadsheet application to maintain total monthly receipts, disbursements and fund balances. This form had not been approved for use and contained a significant number of known errors.

As stated in prior Report B39905, the Town did not use Register of Investments, General Form No. 350.

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)

### ***PAYROLL TAX REPORTING***

The total amounts reported to the Internal Revenue Service (IRS) on the Employer's Quarterly Federal Tax Return - Form 941 did not agree with the amounts reported on IRS Transmittal of Wage and Tax Statements - Form W-3 for 2011 and 2013.

TOWN OF MATTHEWS  
RESULTS AND COMMENTS  
(Continued)

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)

**DAILY DEPOSITS**

A county tax distribution check dated December 27, 2011, in the amount of \$50,183, was deposited on January 9, 2012. A county tax distribution check dated December 10, 2012, in the amount of \$47,936, was deposited on January 3, 2013.

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 . . ."

**OFFICIAL BONDS**

The Clerk-Treasurer's Surety Bond coverage was fixed at \$15,000, which was less than the amount required by the Indiana Code for 2011, 2012, 2013, 2014, and 2015.

Indiana Code 5-4-1-18(e) states in part:

". . . the fiscal bodies of the respective units shall fix the amount of the bond of . . . town clerk-treasurers . . . as follows:

- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee. . . ."

**ANNUAL FINANCIAL REPORTS NOT PUBLISHED**

The AFRs were not published in accordance with statute for the years 2011, 2012, 2013, 2014, 2015, and 2016.

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."

**ANNUAL FINANCIAL REPORT FILED LATE**

The AFRs for 2012 and 2016 were not filed electronically until April 24, 2013, and March 14, 2017, which was 54 and 13 days, respectively, past the due date.

TOWN OF MATTHEWS  
RESULTS AND COMMENTS  
(Continued)

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."

***CERTIFIED REPORT OF COMPENSATION FILED LATE***

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 2014 and 2016. The reports were filed on February 17, 2015, and February 27, 2017, which was 17 and 27 days, respectively, past the due date.

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

"Every state, county, city, town, township, or school 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."

***ANNUAL NEPOTISM POLICY CERTIFICATIONS***

Elected officials 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.

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."

***ANNUAL CONTRACTING POLICY CERTIFICATIONS***

Elected officials did not certify in writing that the officer had not violated Indiana Code 36-1-21-6 by December 31, 2012, 2013, 2014, 2015, and 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."

***SALES TAX PAID***

The Town paid sales tax on eight purchases that should have been exempt from Indiana sales tax.

Government funds are exempt from the payment of sales taxes on qualifying purchases. Units should reference Indiana Department of Revenue guidance to determine what are or are not qualifying purchases. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN OF MATTHEWS  
EXIT CONFERENCE

The contents of this report were discussed on July 20, 2017, with Sandra C. Loer, Clerk-Treasurer; David C. Loer, President of the Town Council; and David White, Town Council member.