

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MARSHALL

PARKE COUNTY, INDIANA

January 1, 2016 to December 31, 2018



FILED
01/08/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jennifer L. Green Kathy Wirth	01-01-16 to 12-31-17 01-01-18 to 12-31-19
President of the Town Council	Kevin Stewart	01-01-16 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE TOWN OF MARSHALL, PARKE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Marshall (Town), for the period from January 1, 2016 to December 31, 2018. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statements Audit 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 Audit 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 Audit Results and Comments, incorporated within this report, was not verified for accuracy.

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

November 14, 2019

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CLERK-TREASURER
TOWN OF MARSHALL

CLERK-TREASURER
TOWN OF MARSHALL
AUDIT RESULTS AND COMMENTS

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Town did not adopt the minimum level of internal control standards as defined by the Indiana State Board of Accounts, nor did Town personnel receive training concerning internal control standards. However, the Town certified, incorrectly, on Gateway in 2016 that the internal control standards had been adopted and that personnel had been trained.

Context

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](#)."

INTERNAL CONTROLS

Condition and Context

Several deficiencies in the internal control system of the Town related to financial transactions and reporting were noted. We believe the following deficiencies constitute a material weakness:

The Town had not separated incompatible activities related to cash and investments, receipts, disbursements, and financial close and reporting. The failure to establish controls could have enabled material misstatements or irregularities to remain undetected.

Cash and Investments

The Clerk-Treasurer received bank statements, posted the records, and reconciled the bank account.

Receipts

The Clerk-Treasurer received payments, prepared and made deposits, applied payments to customer accounts, made adjustments, and posted the ledger.

Disbursements

The Clerk-Treasurer verified receipt of goods and services, received invoices, and posted ledger. The Town had developed a control requiring each claim to be reviewed and approved by the Town Council prior to payment, but the control was not consistently applied.

Financial Close and Reporting

The Clerk-Treasurer prepared year-end financial reports, entered the information into the Annual Financial Report on the Indiana Gateway for Government Units, and submitted the Annual Financial Report.

CLERK-TREASURER
TOWN OF MARSHALL
AUDIT RESULTS AND COMMENTS
(Continued)

There was no evidence of controls such as oversight, review, or approval, except as noted in the disbursement section above.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

TIMELY RECORDING

Condition and Context

Utility customer collection receipts were posted to the ledger on a monthly basis rather than at the time of the transaction and were based on bank statement deposits rather than utility system customer payment records.

Receipts and disbursements for the Water Bond/Interest Sinking and Water Debt Service funds were appropriately recorded on the financial statements per bank statements, but were not consistently recorded on the unit's ledgers for the audit period. Additionally, the financial activity of the Town's savings account was not recorded on the unit's ledgers for the audit period.

Criteria

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

BANK ACCOUNT RECONCILIATIONS

Condition and Context

The same comment also appeared in prior Report B47152.

CLERK-TREASURER
TOWN OF MARSHALL
AUDIT RESULTS AND COMMENTS
(Continued)

The Water Bond/Interest Sinking, Water Debt Service, and Town savings funds were not reconciled to the depository on a monthly or quarterly (for accounts that have only quarterly statements) basis.

Criteria

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 REPORTS

Condition and Context

The same comment also appeared in prior Report B47152.

The Annual Financial Reports filed for the years 2016, 2017, and 2018 did not reflect the financial activity of the Town. The Town's savings fund was not reported on the Annual Financial Reports for 2016, 2017, or 2018, and the Town's Community Crossings Grant fund was not reported on the Annual Financial Report for 2018. Audit adjustments were proposed, accepted by management, and made to the financial statements presented for audit.

Criteria

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
TOWN OF MARSHALL
EXIT CONFERENCE

The contents of this report were discussed on November 14, 2019, with Kathy Wirth, Clerk-Treasurer; Darla Burgess, Town Council member; and Kevin Stewart, President of the Town Council.

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TOWN COUNCIL
TOWN OF MARSHALL

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TOWN OF MARSHALL
AUDIT RESULTS AND COMMENTS

ADOPTION OF INTERNAL CONTROL STANDARDS

Condition and Context

The minimum level of internal control standards, as defined by the Indiana State Board of Accounts, had not been adopted by the Town.

Criteria

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; . . ."

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

Town personnel had not received training concerning the internal control standards.

Criteria

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

TOWN COUNCIL
TOWN OF MARSHALL
EXIT CONFERENCE

The contents of this report were discussed on November 14, 2019, with Kathy Wirth, Clerk-Treasurer; Darla Burgess, Town Council member; and Kevin Stewart, President of the Town Council.