

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MACY

MIAMI COUNTY, INDIANA

January 1, 2017 to December 31, 2019



FILED
04/07/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Michelle Hoffman	01-01-17 to 12-31-20
President of the Town Council	Marilyn Jackson	01-01-17 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF MACY, MIAMI COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Macy (Town), for the period from January 1, 2017 to December 31, 2019. 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 opinions 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

March 23, 2020

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CLERK-TREASURER
TOWN OF MACY

CLERK-TREASURER
TOWN OF MACY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to all areas of the financial statements. The failure to establish these controls could enable material misstatements to occur and remain undetected.

Cash and Investments

The Town did not have controls in place to ensure that bank reconciliations were accurately prepared. There was no oversight or review process.

Receipts and Disbursements

The Town did not have controls in place to ensure the accurate recording and reporting of receipts and disbursements. The President of Town Council was responsible for the receipting and disbursement process. There was no oversight or review process.

Financial Close and Reporting

The President of the Town Council entered financial information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Annual Financial Report. There was no documented evidence of a review, oversight, or approval process by another person prior to submission into Gateway.

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. . . ."

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

PRESCRIBED FORM

Condition and Context

A similar comment also appeared in the prior Report B48917, entitled *LACK OF PRESCRIBED FORM*.

The President of the Town Council maintained financial records using computerized spreadsheets instead of using the Ledger of Appropriation, Encumbrances, Disbursements and Balances (City and Town Form No. 209) prescribed form.

Criteria

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

Condition and Context

A similar comment appeared in the prior Report B48917, entitled *DEPOSITS*.

All Wastewater receipts examined were deposited later than the next business day and exceeded the \$500 cash on hand exception. Deposits were only made twice a month.

Criteria

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

"Except as provided in subsection (g), a city (other than a consolidated city) or 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."

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). . . ."

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

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Town certified on Indiana Gateway for Government Units financial reporting system that adopted and trained appropriate personnel on internal control standards. There was no adopted policy and training was not provided, the certification was incorrect.

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](#)."

MVH RESTRICTED FUND

Condition and Context

The Town did not create the Motor Vehicle Highway Restricted Fund (MVHR) as required.

Criteria

The purpose of this Directive is to authorize and require counties, cities, and towns that receive distributions from the State Motor Vehicle Highway Account to create a new sub-fund within the MVH Fund to properly manage and account for the usage restrictions that were included in House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018. (State Examiner Directive 2018-2)

CLERK-TREASURER
TOWN OF MACY
EXIT CONFERENCE

The contents of this report were discussed on March 23, 2020, with Michelle Hoffman, Clerk-Treasurer, and Marilyn Jackson, President of the Town Council.

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TOWN COUNCIL
TOWN OF MACY

TOWN COUNCIL
TOWN OF MACY
AUDIT RESULTS AND COMMENTS

ADOPTION AND TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The Town did not adopt the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts. The Town also did not ensure training was provided for all personnel over the adopted internal control standards as required by Indiana Code 5-11-1-27(g).

Criteria

Indiana 5-11-1-27(g) states:

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

ORDINANCES AND RESOLUTIONS

Condition and Context

The Wastewater Utility increased their monthly fee rate in 2019 by \$5 per customer as noted in the Town Board Minutes, but did not amend their Wastewater Rate Ordinance.

Criteria

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN COUNCIL
TOWN OF MACY
EXIT CONFERENCE

The contents of this report were discussed on March 23, 2020, with Marilyn Jackson, President of the Town Council.