

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MARENGO

CRAWFORD COUNTY, INDIANA

January 1, 2017 to December 31, 2019



**FILED**  
04/21/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Anthony Jones (Vacant) Katy Brewer	01-01-16 to 12-01-18 12-02-18 to 01-16-19 01-17-19 to 12-31-23
President of the Town Council	Michael Haverstock	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 MARENGO, CRAWFORD COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Marengo (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/](http://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

April 13, 2020

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CLERK-TREASURER  
TOWN OF MARENGO

CLERK-TREASURER  
TOWN OF MARENGO  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

*Condition and Context*

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not established an effective internal control system that had separated incompatible activities related to cash and investments, receipts, and payroll disbursements.

*Cash and Investments*

The Deputy Clerk-Treasurer performed monthly bank reconciliations; however, there were no documented controls in place, such as an oversight, review, or approval process to ensure the accuracy of cash and investment balances.

*Receipts*

The Deputy Clerk-Treasurer received payments, prepared and made deposits, and posted to the ledger. There were no documented controls in place, such as an oversight, review, or approval process to ensure the accuracy of the collection and posting of receipts.

*Payroll Disbursements*

The Deputy Clerk-Treasurer was responsible for preparing, processing, and recording payroll transactions without any additional review or oversight procedures in place to ensure that each employee was paid properly. Payroll transactions were included and approved by the Town Council on an Accounts Payable Register; however, this approval was for total net wages for all employees and not by each employee.

*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 MARENGO  
AUDIT RESULTS AND COMMENTS  
(Continued)

**MVH RESTRICTED FUND**

*Condition and Context*

The Town did not create the required MVH Restricted (MVHR) Fund within its financial records.

*Criteria*

State Examiner Directive 2018-2 states in part:

"The purpose of this Directive is to authorize and require . . . 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."

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

For 2019, the Town certified on the Indiana Gateway for Government Units financial reporting system that all personnel defined by Indiana Code 5-11-1-27(c) had received training over the internal control standards adopted by the Town. However, training had not been provided to the Clerk-Treasurer who was appointed in 2019.

*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](#)."

**CAPITAL ASSETS**

This same comment appeared in a Management Letter addressed to the Clerk-Treasurer and Town Council for the examination period ending December 31, 2016.

*Condition and Context*

The Town had not established a policy that details the threshold at which an item is considered a capital asset. The Town did not have a current capital assets detail to support the capital asset amounts that were reported in the Annual Financial Report in the Indiana Gateway for Government Units financial reporting system. In addition, no capital asset additions or deletions have been made to the records since 2012.

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

*Criteria*

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER  
TOWN OF MARENGO  
EXIT CONFERENCE

The contents of this report were discussed on April 13, 2020, with Michael Haverstock, President of the Town Council; Katy Brewer, Clerk-Treasurer; and Tonia Jones-Elliott, Deputy Clerk-Treasurer.

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TOWN COUNCIL  
TOWN OF MARENGO

TOWN COUNCIL  
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AUDIT RESULTS AND COMMENTS

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

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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. . . ."

TOWN COUNCIL  
TOWN OF MARENGO  
AUDIT RESULTS AND COMMENTS  
(Continued)

**TRAINING ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The current Clerk-Treasurer, who was appointed in 2019, had not received training over the internal control standards adopted by the Town.

*Criteria*

Indiana Code 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."

**CAPITAL ASSETS**

This same comment appeared in a Management Letter addressed to the Clerk-Treasurer and Town Council for the examination period ending December 31, 2016.

*Condition and Context*

The Town had not established a policy that details the threshold at which an item is considered a capital asset. The Town did not have a current capital assets detail to support the capital asset amounts that were reported in the Annual Financial Report in the Indiana Gateway for Government Units financial reporting system. In addition, no capital asset additions or deletions have been made to the records since 2012.

*Criteria*

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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EXIT CONFERENCE

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