

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MEDARYVILLE

PULASKI COUNTY, INDIANA

January 1, 2017 to December 31, 2019



FILED
04/22/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Judy Harwood Stacy Conley	01-01-17 to 12-31-19 01-01-20 to 12-31-20
President of the Town Council	Robert Schultz Suzanna Wilcoxon	01-01-17 to 12-31-19 01-01-20 to 12-31-20



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 MEDARYVILLE, PULASKI COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Medaryville (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 Statement Audit Report of the Town, which provides our opinions on the Town's financial statement. 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

April 14, 2020

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CLERK-TREASURER
TOWN OF MEDARYVILLE

CLERK-TREASURER
TOWN OF MEDARYVILLE
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

The Town had not designed or implemented proper segregation of duties related to cash and investments, receipts, disbursements, and financial reporting. The Town did not have enough employees to provide adequate segregation of duties. The Town Council did not provide enough documented oversight to provide proper segregation of duties.

An evaluation of the Town's system of internal controls had not been conducted. Additionally, the Town had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the Town to monitor and assess the quality of the system of the internal controls.

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. Clear documentation should be maintained for continuity as well as ease of communication to outside parties."

"Relevant information from both internal and external sources is necessary to support the functioning of the other components of internal control. Communication is the continual process of providing, sharing, and obtaining necessary information. Internal communication enables personnel to receive a clear message that control responsibilities are taken seriously by the organization. External communication enables relevant outside information to be internalized and internal information to be clearly communicated to external parties."

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

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators."

RECEIPT ISSUANCE

Condition and Context

Receipts were not issued at the time of the transaction. Issuance of receipts ranged from 5 to 140 days after the transaction, with 20 of the receipts tested issued between 7 and 30 days afterwards.

Criteria

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Town certified on the Indiana Gateway for Governmental Units financial reporting system for 2017, 2018, and 2019 that the appropriate personnel were trained on the internal control standards that were adopted by the Town Council. However, Town personnel did not receive the internal control training; therefore, the certification was incorrect.

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 MEDARYVILLE
EXIT CONFERENCE

The contents of this report were discussed on April 14, 2020, with Stacy Conley, Clerk-Treasurer; Judy Harwood, Town Council member and former Clerk-Treasurer; Suzanna Wilcoxon, President of the Town Council; Ray Saltsman, Town Council member; and Jackie Hines, former Deputy Clerk.

TOWN COUNCIL
TOWN OF MEDARYVILLE

TOWN COUNCIL
TOWN OF MEDARYVILLE
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

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

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TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The Town Council had not ensured that personnel were properly trained as required under Indiana Code 5-11-1-27(g).

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 MEDARYVILLE
EXIT CONFERENCE

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