

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF MARTINSVILLE

MORGAN COUNTY, INDIANA

January 1, 2019 to December 31, 2019



**FILED**

10/08/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rebecca J. Tumey	01-01-19 to 12-31-20
Mayor	Shannon E. Kohl Kenneth Costin	01-01-19 to 12-31-19 01-01-20 to 12-31-20
President of the Board of Public Works	Shannon E. Kohl Kenneth Costin	01-01-19 to 12-31-19 01-01-20 to 12-31-20
President Pro Tempore of the Common Council	Eric Bowlen (Vacant) Phil R. Deckard II	01-01-19 to 06-08-20 06-09-20 to 07-12-20 07-13-20 to 12-31-20
Utility Office Manager	Tracy Hastings (Vacant) Heather Staggs	01-01-19 to 06-29-20 06-30-20 to 08-02-20 08-03-20 to 12-31-20



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF MARTINSVILLE, MORGAN COUNTY, INDIANA

This report is supplemental to our audit report of the City of Martinsville (City), for the period from January 1, 2019 to December 31, 2019. It has been provided as a separate report so that the reader may easily identify any Audit Result and Comment that pertains to the City. It should be read in conjunction with our Financial Statement Audit Report of the City, which provides our opinions on the City's financial statement. 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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, was not verified for accuracy.

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

August 24, 2020

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CLERK-TREASURER  
CITY OF MARTINSVILLE

CLERK-TREASURER  
CITY OF MARTINSVILLE  
AUDIT RESULT AND COMMENT

**INTERNAL CONTROLS**

*Condition and Context*

The City had not established an adequate system of internal controls related to financial transactions and reporting. A proper internal control system would include adequate control activities, control environment, performance of risk assessment procedures, and monitoring of internal controls. The City had not separated incompatible activities related to cash and investments and financial close and reporting.

*Cash*

Monthly bank reconcilements were prepared, reviewed, and approved by two individuals. However, reconciliation of all City funds to the financial statement was not prepared. The result was some bank accounts were not reported on the Annual Financial Report (AFR).

*Financial Close and Reporting*

The Clerk-Treasurer entered and submitted the financial information for the City into the Indiana Gateway for Government Units financial reporting system, which was the source for the AFR and financial statement. The Deputy Clerk-Treasurer reviewed the information for accuracy. The control in place was not effective. As a result, there were errors in the AFR entered and submitted by the City.

Three funds were omitted, and two other funds did not have correct beginning cash and investment balances, receipts, disbursements, and ending cash and investment balances. The omitted financial information is summarized below:

Fund	Cash and Investments 01-01-19	Receipts	Disbursements	Cash and Investments 12-31-19
GO 2017 Paying AGT 763132	\$ -	\$ 324,669	\$ 214,181	\$ 110,488
WWKS 18 PPA 763634	-	1,137,923	763,611	374,312
Employee Benefit/Active	-	119,328	-	119,328
2007 Pay Agt 318122	(194,847)	193,184	-	(1,663)
Police Donations	1,100	-	1,100	-
Totals	<u>\$ (193,747)</u>	<u>\$ 1,775,104</u>	<u>\$ 978,892</u>	<u>\$ 602,465</u>

CLERK-TREASURER  
CITY OF MARTINSVILLE  
AUDIT RESULT AND COMMENT  
(Continued)

Adjustments were proposed, approved by management, and made to the financial statement presented in the audit report.

*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  
CITY OF MARTINSVILLE  
EXIT CONFERENCE

The contents of this report were discussed on August 24, 2020, with Rebecca J. Tumey, Clerk-Treasurer; Shannon E. Kohl, former Mayor; Kenneth Costin, Mayor; Ben Merida, Deputy Clerk-Treasurer; Phil R. Deckard II, President Pro Tempore of the Common Council; Phil R. Deckard, Sr., Common Council member; Ann Miller, Common Council member; Chip Keller, Common Council member; Ben Mahan, Common Council member; and Mack Porter, Mayor's Administrative Assistant.