

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MOUNT ETNA

HUNTINGTON COUNTY, INDIANA

January 1, 2019 to December 31, 2020



FILED
12/20/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Erica L. Dorsett	01-01-19 to 12-31-21
President of the Town Council	Jim Kirby	01-01-19 to 12-31-21



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE TOWN OF MOUNT ETNA, HUNTINGTON COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Mount Etna (Town), for the period from January 1, 2019 to December 31, 2020. 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

December 13, 2021

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CLERK-TREASURER
TOWN OF MOUNT ETNA

CLERK-TREASURER
TOWN OF MOUNT ETNA
AUDIT RESULTS AND COMMENTS

GATEWAY ENGAGEMENT UPLOADS

Condition and Context

The Town did not upload the required monthly and annual financial information onto the Indiana Gateway for Government Units (Gateway) financial reporting system. For 2019, the Town uploaded documents for ten of the twelve months. Eight of those monthly uploads were not uploaded by the 15th of the second month following the month they were for. No annual documents were uploaded for 2019. The Town did not upload any documents for 2020.

Criteria

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients.

A user guide for the Engagement Uploads is available and located at: <https://gateway.ifionline.org/userguides/engagementguide>. . . . (Amended State Examiner Directive 2018-1)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

EMPLOYEE COMPENSATION

Condition and Context

The Town did not file quarterly Internal Revenue Service (IRS) tax returns (Form 941), nor did the Town issue IRS Form W-2 (Wage and Tax Statement) to Town employees in 2019 and 2020. Wages paid to employees in 2019 and 2020 were reported to the IRS on Form 1099.

Criteria

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

ACCOUNTS RECEIVABLE CONTROL

Condition and Context

The Town did not maintain an internal control account of the detailed listing of customers' accounts receivable.

Criteria

When utility records are kept on a cash or single-entry basis, a separate control account should be carried on General Ledger Sheet, General Form No. 315, in the front of the Consumer's Ledger. This account will be debited with the total monthly billing to all customers for utility services including penalties and sales tax. This account will be credited with the total accounts receivable collections, penalties and sales tax shown by the Register of Daily Cash Receipts - Consumers.

Under normal conditions the individual active accounts of customers should at all times show debit balances and at the end of each month the individual active accounts should be added, and the total so obtained checked against the balance of the control account. If any adjustments are necessary to be made either to the control or to the individual active accounts, proper explanation should be recorded in the records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 6)

PROPERTY TAX PAYMENTS

Condition and Context

The Town made property tax payments to the County in 2019 and 2020 in the amount of \$210 and \$194, respectively. The Town has owned the property since 2008 and has made property tax payments to the County since then.

Criteria

Indiana Code 6-1.1-10-5(a) states: "Property is exempt from property taxation if it is owned by a city or town and is used to provide a municipal service."

MVH RESTRICTED FUND

Condition and Context

The Town did not create a Motor Vehicle Highway (MVH) Restricted fund for 2019 or 2020 as required; therefore, the Town did not post 50 percent of the State MVH distribution to a MVH Restricted fund. The Town should have posted to a MVH Restricted fund \$2,023 and \$1,784, in 2019 and 2020, respectively.

Criteria

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

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

On the chart of accounts, the MVH Fund and MVH Restricted sub-fund shall be shown as follows:

Cities and Towns

Fund 201	MVH
Fund 203	MVH Restricted

Together, MVH and MVH Restricted shall constitute the total MVH Fund. MVH and MVH Restricted will be shown separately on the Annual Financial Report and Annual Operational Report.

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted. . . . (State Examiner Directive 2018-2)

Indiana Code 8-14-1-5(c) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

DEBIT CARDS

Condition and Context

The Town used a debit card for purchases without authorization from the Town Council through an approved ordinance or resolution.

Criteria

The SBOA will not take exception to the use of debit/procurement cards by a unit provided the following criteria are observed:

1. The governing body must authorize debit/procurement card use through an ordinance/resolution, which has been approved in a meeting and documented in the minutes.
2. Issuance and use must be handled by an official or employee designated by the governing body.
3. The purposes for which the debit/procurement card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the debit/procurement card has been issued has been accomplished, the card must be returned to the custody of the responsible person.

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

5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Debit/procurement cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CAPITAL ASSETS

Condition and Context

The Town had a capital assets policy that detailed the threshold at which an item is considered a capital asset. However, the Town did not maintain a complete detailed listing of all capital assets. In addition, the Town did not complete a physical inventory at least every two years, as required.

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 MOUNT ETNA
EXIT CONFERENCE

The contents of this report were discussed on December 13, 2021, with Erica L. Dorsett, Clerk-Treasurer, and Jim Kirby, President of the Town Council.

TOWN COUNCIL
TOWN OF MOUNT ETNA

TOWN COUNCIL
TOWN OF MOUNT ETNA
AUDIT RESULT AND COMMENT

DEBIT CARDS

Condition and Context

The Town used a debit card for purchases without authorization from the Town Council through an approved ordinance or resolution.

Criteria

The SBOA will not take exception to the use of debit/procurement cards by a unit provided the following criteria are observed:

1. The governing body must authorize debit/procurement card use through an ordinance/ resolution, which has been approved in a meeting and documented in the minutes.
2. Issuance and use must be handled by an official or employee designated by the governing body.
3. The purposes for which the debit/procurement card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the debit/procurement card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Debit/procurement cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN COUNCIL
TOWN OF MOUNT ETNA
EXIT CONFERENCE

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