

**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, 2021 to December 31, 2021



**FILED**  
06/28/2022



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rebecca J. Tumey	01-01-21 to 12-31-22
Mayor	Kenneth Costin	01-01-21 to 12-31-22
President of the Board of Public Works	Kenneth Costin	01-01-21 to 12-31-22
President Pro Tempore of the Common Council	Phil R. Deckard II	01-01-21 to 12-31-22
Utility Office Manager	Heather Staggs	01-01-21 to 12-31-22



**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, 2021 to December 31, 2021. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain 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 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.

Beth Kelley, CPA, CFE  
Deputy State Examiner

June 9, 2022

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UTILITY OFFICE MANAGER  
CITY OF MARTINSVILLE

UTILITY OFFICE MANAGER  
CITY OF MARTINSVILLE  
AUDIT RESULTS AND COMMENTS

**CONDITION OF RECORDS - UTILITY COLLECTIONS**

*Condition and Context*

Documentation provided by the Utility Department to the Clerk-Treasurer's office for daily utility collections did not include a detailed breakdown of where to allocate partial payments collected from customers on payment plans (water, sewer, stormwater, etc.). The system used for tracking payment plans was not complete. The computer system only tracked the total amount owed on the payment plan rather than pro-rating the amount owed to the appropriate utilities.

The total amount of daily collections for days in which payments on payment plans were made was posted to the Utility Clearance (Hb) fund, but the portion that was paid on payment plans was not transferred out of this fund and into appropriate utility operating funds until January 2022.

*Criteria*

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**ORDINANCES AND RESOLUTIONS**

*Condition and Context*

The City adopted Ordinance Number 2019-1800, New Water Rates and Charges, with an effective date of January 1, 2021. Rates for water were changed in the utility billing software and properly charged to utility customers; however, hydrant rental fees were not changed until August 1, 2021.

Of the 25 customers tested, 4 received a sprinkler credit during the summer months. There was no supporting documentation regarding the calculation of the credit, and no ordinance or board action allowing this credit was presented for audit.

*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)

UTILITY OFFICE MANAGER  
CITY OF MARTINSVILLE  
AUDIT RESULTS AND COMMENTS  
(Continued)

**INTERNAL CONTROLS**

*Condition and Context*

There were deficiencies in the internal control system of the City related to utility billing rates. There was no evidence of an internal control to ensure that approved rates were properly entered into the utility billing software. Due to the lack of adequate internal controls, the new hydrant rental fees, which should have been effective January 1, 2021, were not properly entered into the billing system timely. The error was not detected and corrected until August 1, 2021.

*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. . . ."

UTILITY OFFICE MANAGER  
CITY OF MARTINSVILLE  
OFFICIAL RESPONSE

Please insert the OR

UTILITY OFFICE MANAGER  
CITY OF MARTINSVILLE  
EXIT CONFERENCE

The contents of this report were discussed on June 9, 2022, with Rebecca J. Tumey, Clerk-Treasurer; Ben Merida, First Deputy Clerk-Treasurer; and Phil R. Deckard II, President Pro Tempore of the Common Council.

The contents of this report were discussed on June 22, 2022, with Heather Staggs, Utility Office Manager.