

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

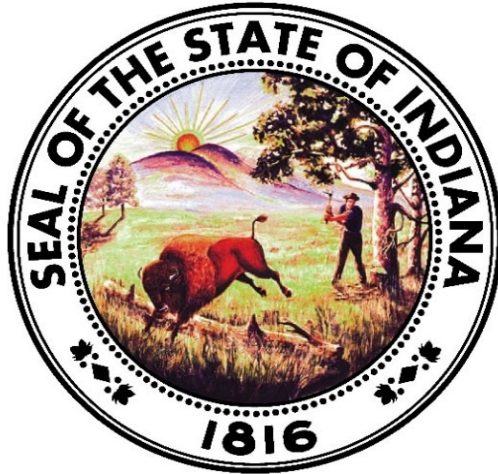
COMPLIANCE REPORT

OF

TOWN OF WALLACE

FOUNTAIN COUNTY, INDIANA

January 1, 2017 to December 31, 2021



FILED
12/27/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	(Vacant) Amanda Shoaf	01-01-17 to 05-15-18 05-16-18 to 12-31-22
President of the Town Council	Marilyn Sowers Amy Ellingwood Carl Cork Mitchell McCollum	01-01-17 to 12-31-17 01-01-18 to 12-31-20 01-01-21 to 12-31-21 01-01-22 to 12-31-22



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 WALLACE, FOUNTAIN COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Town of Wallace (Town) for the period of January 1, 2017 to December 31, 2021, to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

The Results and Comments contained herein describe the identified reportable instances of non-compliance found as a result of these procedures. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

The Town's Annual Financial Report information can be found on the Indiana Gateway for Government Units financial reporting system website: <https://gateway.ifionline.org> and has not been subjected to any audit procedures.

Any Official Response to the Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

November 21, 2022

TOWN OF WALLACE
RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

Similar comments also appeared in prior Report B48488, entitled *ANNUAL FINANCIAL REPORT* and *ANNUAL FINANCIAL REPORT FILED LATE*.

Condition and Context

The Town's financial information was entered into the Indiana Gateway for Government Unit's financial reporting system, which was the source for the Annual Financial Report (AFR) and financial statements. Ending balances reported for 2021 did not agree to the ending balances of the Town's ledger. The following variances were identified:

Fund	Amount per AFR December 31, 2021	Amount per Ledger December 31, 2021	Variance
General	\$ 17,302	\$ (34,977)	\$ 52,279
Motor Vehicle Highway	-	25,976	(25,976)
MVH Restricted	-	6,932	(6,932)
Local Road and Street	-	7,738	(7,738)
Coronavirus	-	3,375	(3,375)
Donations	-	660	(660)
Riverboat	-	3,476	(3,476)
CCD	-	600	(600)
CCI	-	4,077	(4,077)
EDIT	-	510	(510)
LOIT Special Distribution	-	81	(81)
LOIT Public Safety	-	629	(629)
Totals	<u>\$ 17,302</u>	<u>\$ 19,077</u>	<u>\$ (1,775)</u>

Audit adjustments were proposed, accepted by the Town, and made to the financial statement presented in this report.

Additionally, the Annual Financial Report (AFR) for 2017 was filed on August 2, 2018, which was 154 days past the due date and the AFR for 2020 was filed on April 7, 2021, which was 37 days past the due date.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity 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](#)."

TOWN OF WALLACE
RESULTS AND COMMENTS
(Continued)

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Report B48488.

Condition and Context

The following funds had overdrawn fund balances as of December 31:

<u>Years</u>	<u>Fund</u>	<u>Amount Overdrawn</u>
2017	General	\$ 19,521
2018	General	26,974
2019	General	27,717
2020	General	29,152
2021	General	34,977

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CONDITION OF RECORDS

The same comment also appeared in the prior Reports B38088, B41342, and B48488.

Condition and Context

The Ledger of Receipts, Disbursements, and Balances (ledger) was not properly maintained. The Annual Financial Report (AFR) contained numerous errors and did not agree to the Town's records. The Town's ledger only maintained the general fund, but the AFR included other funds. In addition, the transaction dates were not always included in the ledger.

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)

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN OF WALLACE
RESULTS AND COMMENTS
(Continued)

CAPITAL ASSETS

Condition and Context

The Town did not adopt a capital asset policy that details the thresholds at which an item is considered a capital asset. The Town did not maintain a detailed listing of capital assets owned at their acquisition value. In addition, a physical inventory of capital assets had not been completed at least every two years.

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)

BOARD MINUTES MISSING

Condition and Context

Minutes presented for examination did not include all meetings. There was no evidence that the minutes were approved by the Town Council. Motions, seconds, and votes were not consistently recorded.

Criteria

Indiana Code 5-14-1.5-4 states in part:

". . . (b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
 - (2) The members of the governing body recorded as either present or absent.
 - (3) The general substance of all matters proposed, discussed, or decided.
 - (4) A record of all votes taken by individual members if there is a roll call.
 - (5) Any additional information required under section 3.5 of 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication.
- (c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

TOWN OF WALLACE
RESULTS AND COMMENTS
(Continued)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The same comment also appeared in prior Reports B38088, B41342, and B48488.

Condition and Context

The Town did not comply with directives of the Internal Revenue Service (IRS) by failing to withhold payroll taxes and issue IRS Form W-2 - Wage and Tax Statement to officials.

Criteria

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)

ERRORS ON CLAIMS

Condition and Context

The following deficiencies were noted on claims during the examination period:

1. Supporting documentation was not presented for 16 percent of disbursements selected for testing.
2. Accounts Payable Vouchers were not prepared for 68 percent of disbursements selected for testing.
3. Claims were not approved by the Town Council or certified by the Clerk-Treasurer for 68 percent of disbursements selected for testing.

Criteria

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and

TOWN OF WALLACE
RESULTS AND COMMENTS
(Continued)

- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The files and governmental unit information that are required to be uploaded monthly include the bank reconciliations, approved Town Council minutes and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

Annual upload requirements include the year-end bank statement, year-end outstanding check list, year-end investments, detail of receipt activity, detail of disbursement activity, current year salary ordinance, and an annual vendor history report.

The Town did not comply with the State Examiner Directive and failed to upload any of the annual files on the Indiana Gateway for Government Units (Gateway) financial reporting system for 2018, 2019, 2020, and 2021 or any of the monthly uploads for 2021.

Criteria

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)

Beginning with July 2018 files, which will be due September 15, 2018, all cities, towns, townships, libraries, and special districts will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. . . . (State Examiner Directive 2018-1)

BANK ACCOUNT RECONCILIATIONS

A similar comment also appeared in prior Report B38088, entitled *CONDITION OF RECORDS* and the same comment also appeared in prior Reports B41342 and B48488.

Condition and Context

Depository reconciliations of the fund balances to the bank account balances were not performed, and, therefore, not presented for examination during the period examined.

Criteria

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

TOWN OF WALLACE
RESULTS AND COMMENTS
(Continued)

ADOPTION OF, AND TRAINING ON, INTERNAL CONTROL STANDARDS

Condition and Context

The Town did not adopt the minimum level of internal control standards as required by statute. All applicable personnel had not received training over internal control standards during the engagement period.

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."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Town's certification on internal control standards made on the Indiana Gateway for Government Units financial reporting system was not made correctly for 2018, 2020, and 2021. The certification asserts that training on internal control standards was received by all applicable personnel; however, it was determined that applicable Town Council members had not received this training.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity 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](#)."

CERTIFIED REPORT FILED AFTER DUE DATE

A similar comment also appeared in prior Report B48488, entitled *LATE FILING OF FORM 100R*.

Condition and Context

The Town did not timely file a Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100R) with the Indiana State Board of Accounts for 2017 or 2020. The reports were filed on May 26, 2018, and April 1, 2021, which were 115 and 59 days, respectively, past the due date of January 31.

TOWN OF WALLACE
RESULTS AND COMMENTS
(Continued)

Criteria

Indiana Code 5-11-13-1(b) states in part:

"Each audited entity shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of the officers, employees, and agents of the audited entity. The report shall indicate the respective duties and compensation of each officer, employee, and agent of the audited entity. The audited entity shall file the report in the office of the state examiner of the state board of accounts. . . . The certification must be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

INACCURATE FORM 100R

The same comment also appeared in prior Report B48488.

Condition and Context

The Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100R) was inaccurate. In 2018, one Town Council member was reported as being paid \$0 when he was paid \$500. In 2021, the Clerk-Treasurer, two Town Council members, and the President of the Town Council were reported as being paid \$0 when they were paid \$1,200, \$400, \$300, and \$500, respectively.

Criteria

Indiana Code 5-11-13-1(b) states in part:

"Each audited entity shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of the officers, employees, and agents of the audited entity. The report shall indicate the respective duties and compensation of each officer, employee, and agent of the audited entity. The audited entity shall file the report in the office of the state examiner of the state board of accounts. . . . The certification must be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

CONTRACTING POLICY

The same comment also appeared in prior Report B48488.

Condition and Context

The Town had not adopted a policy regarding elected officials contracting with relatives as required by statute.

Criteria

Indiana Code 36-1-21-4(a) states in part: "This chapter establishes minimum requirements regarding contracting with a unit. The legislative body of the unit shall adopt a policy that includes, at a minimum, the requirements set forth in this chapter. . . ."

TOWN OF WALLACE
RESULTS AND COMMENTS
(Continued)

ANNUAL CONTRACTING POLICY CERTIFICATION

The same comment also appeared in prior Report B48488.

Condition and Context

The elected officials did not certify in writing that they had not violated Indiana Code 36-1-21 by December 31, 2017, 2018, 2019, 2020, or 2021.

Criteria

Indiana Code 36-1-21-6 states: "Each elected officer of the unit shall annually certify in writing, subject to the penalties for perjury, that the officer is in compliance with this chapter. An officer shall submit the certification to the executive of the unit not later than December 31 of each year."

TRANSFER ORDINANCE

Condition and Context

The Town did not adopt an ordinance allowing for the transfer of money from the individual funds to the General Fund, but instead all financial transactions were posted directly to the General Fund.

Criteria

Indiana Code 36-5-4-13 states:

"(a) Except as provided in subsection (c), this subsection applies to a town with a population of five hundred (500) or less. Notwithstanding the provisions of any other statute, a town may transfer money from any town fund to another town fund after the passage of an ordinance or a resolution by the town legislative body specifying the:

- (1) amount of the transfer;
- (2) funds involved;
- (3) date of the transfer; and
- (4) general purpose of the transfer.

(b) Except as provided in subsection (c), this subsection applies to a town having a population of more than five hundred (500) but less than two thousand (2,000). Notwithstanding [IC 8-14-1](#) and [IC 8-14-2](#), a town may transfer money distributed to the town from:

- (1) the motor vehicle highway account under [IC 8-14-1](#);
- (2) the local road and street account under [IC 8-14-2](#); or
- (3) the:
 - (A) motor vehicle highway account under [IC 8-14-1](#); and
 - (B) local road and street account under [IC 8-14-2](#);

TOWN OF WALLACE
RESULTS AND COMMENTS
(Continued)

to any other town fund after the passage of an ordinance or a resolution by the town legislative body that specifies the amount of the transfer, the funds involved, the date of the transfer, and the general purpose of the transfer. However, the total amount of all money transferred by a town under this subsection may not exceed forty thousand dollars (\$40,000)."

NEPOTISM POLICY

The same comment also appeared in prior Report B48488.

Condition and Context

The Town had not adopted a Nepotism Policy.

Criteria

Indiana Code 36-1-20.2-9(a) states in part: "This chapter establishes minimum requirements regarding employment of relatives. The legislative body of the unit shall adopt a policy that includes, at a minimum, the requirements set forth in this chapter. . . ."

ANNUAL NEPOTISM CERTIFICATION

The same comment also appeared in prior Report B48488.

Condition and Context

The elected officers did not annually certify in writing that the officer had not violated Indiana Code 36-1-20.2 regarding nepotism by December 31, 2017, 2020, or 2021.

Criteria

Indiana Code 36-1-20.2-16 states: "Each elected officer of the unit shall annually certify in writing, subject to the penalties for perjury, that the officer has not violated this chapter. An officer shall submit the certification to the executive of the unit not later than December 31 of each year."

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

In 2019, the Town failed to create and report the MVH Restricted sub-fund as directed by the State Examiner. Therefore, the Town failed to allocate or deposit at least 50 percent of the distributions from the State Motor Vehicle Highway (MVH) Account, at the time of receipt, into an MVH Restricted sub-fund. Since the MVH Restricted sub-fund had not been created, we were not able to determine if the Town used at least 50 percent of the purpose specified in Indiana Code 8-14-1-5(c).

Criteria

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.

The political subdivision, by ordinance or resolution, may elect to allocate more than fifty percent (50%) of the distributions to MVH Restricted. During the same fiscal year, the political subdivision may transfer, by ordinance or resolution, the amount allocated in excess of the 50% requirement from MVH Restricted to MVH. In no event can any transfers from MVH Restricted to MVH reduce the fiscal year distributions from the State Motor Vehicle Highway Account below the 50% requirement for MVH Restricted. (State Examiner Directive 2018-2)

SALARY ORDINANCE

The same comment also appeared in prior Report B48488.

Condition and Context

The Town Council did not adopt an ordinance establishing the compensation of officers for 2017, 2018, 2019, 2020, and 2021.

Criteria

Indiana Code 36-5-3-2(b) states in part: "The town legislative body shall, by ordinance, fix the compensation of its own members, the town clerk-treasurer, and the town marshal. . . The legislative body shall provide reasonable compensation for other town officers and employees."

TOWN OF WALLACE
EXIT CONFERENCE

The contents of this report were discussed on November 21, 2022, with Mitchell McCollum, President of the Town Council, and Amanda Shoaf, Clerk-Treasurer.