

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF INGALLS

MADISON COUNTY, INDIANA

January 1, 2019 to December 31, 2021



FILED

01/03/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kip Golden	01-01-19 to 12-31-22
President of the Town Council	Chris Bradshaw	01-01-19 to 07-22-19
	(Vacant)	07-23-19 to 08-07-19
	Justin Gardner	08-08-19 to 12-31-19
	Scot Lawyer	01-01-20 to 12-31-21
	Justin Gardner	01-01-22 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF INGALLS, MADISON COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Ingalls (Town), for the period from January 1, 2019 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 Town. It should be read in conjunction with our Financial Statements Audit Report of the Town, which provides our opinions on the Town's financial statements. 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.

Beth Kelley, CPA, CFE
Deputy State Examiner

December 6, 2022

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CLERK-TREASURER
TOWN OF INGALLS

CLERK-TREASURER
TOWN OF INGALLS
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

The same comment also appeared in prior Report B56150.

Condition and Context

There were deficiencies in the internal control system of the Town related to receipts, debit card disbursements, and financial close and reporting. The failure to establish effective internal controls could have enabled material misstatements to occur and remain undetected.

Receipts

The Clerk-Treasurer was responsible for collecting, depositing, recording, and reconciling receipts for the Town with no documented oversight, review, or approval process in place from January 2019 to October 2020.

From November 2020 to December 2021, the Deputy Clerk-Treasurer began entering Town receipts as they were received with the Clerk-Treasurer reviewing the posted entries; however, after inspection, there was no evidence this internal control was consistently applied.

Debit Card Disbursements

Internal controls over the receipting, disbursing, recording, and accounting for transactions involving the use of debit cards were insufficient. Debit card disbursements were not always included within the Town Council approved claims docket. The Town's policy states the Clerk-Treasurer shall maintain a log which includes, among other things, the time, date, and individual authorized to make a purchase via the Town's debit card. No maintenance log was kept during the audit period.

Financial Close and Reporting

Annual Financial Reports were prepared and submitted by the Clerk-Treasurer. The reports were reviewed by the Town accountant; however, no documented evidence of this review was presented for audit.

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. . . .

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

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. . . ."

PENALTIES, INTEREST, AND OTHER CHARGES

A similar comment also appeared in prior Report B56150, entitled *PENALTIES, INTEREST, AND OTHER CHARGES*.

Condition and Context

The Town paid a total of \$7,849 in penalties and \$1,845 in interest to the Indiana Department of Revenue for late remittance of sales taxes during the audit period. In addition, there were seven instances where supporting documentation did not provide enough information to ascertain whether penalties and interest had been paid.

Criteria

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

DEBIT CARDS

The same comment also appeared in prior Report B56150.

Condition and Context

Internal controls over the receipting, disbursing, recording, and accounting for debit card transactions were insufficient. Of the 15 debit card disbursements selected, 8 were not included within the Town Council approved claims docket. There were 12 that did not have proper supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, or other public records. The Town's policy states the Clerk-Treasurer shall maintain a log which includes, among other things, the time, date, and individual authorized to make a purchase via the Town's debit card. No detailed maintenance log was kept during the audit period.

Criteria

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

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

1. The governing board 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 should 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)

CAPITAL ASSETS

The same comment also appeared in prior Report B56150.

Condition and Context

The Town had not properly maintained a complete inventory of capital assets owned. The most recent update of capital assets occurred in 2013.

Additionally, the Town did not have a capital assets policy that detailed the threshold at which an item is considered a capital asset.

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 INGALLS
AUDIT RESULTS AND COMMENTS
(Continued)

COMPENSATION AND BENEFITS

The same comment also appeared in prior Report B56150.

Condition and Context

1. One employee selected for testing was paid for 40 hours worked; however, inspection of the timecard revealed the employee worked 37.5 hours during the pay period. This resulted in the employee being overpaid \$39 for the period.
2. One employee selected for testing was paid one dollar per hour more than the rate established by the salary ordinance from October 28, 2021 to December 30, 2021.
3. The 2019 salary ordinance stated that Firefighter/EMT positions would receive a \$60,000 salary. A part-time firefighter was selected for testing and determined to have been paid \$10 per hour instead of the \$60,000 salary. Beginning with the 2020 salary ordinance, pay was set to \$10 per hour for part-time Firefighter/EMT positions.
4. During 2019, two Town Council members and one employee, who were members of the UDO Committee, were paid \$100 per meeting attended. This pay amount was documented within the 2019 salary ordinance; however, no records were maintained verifying attendance for meetings.

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)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation 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

The same comment also appeared in prior Report B56150.

Condition and Context

The Town did not bill the correct stormwater user fee to non-residential class users. The Town billed these users at \$5 per month, rather than using the rate calculation outlined in the Town's Stormwater Rate Ordinance.

The Town paid salaries from the Stormwater Utility. Per the Stormwater Ordinance, this was not an acceptable use of Stormwater funds.

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

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)

APPROPRIATIONS

The same comment also appeared in prior Report B56150.

Condition and Context

Disbursements exceeded appropriations for the Motor Vehicle Highway fund for 2019 and 2021, in the amounts of \$62,401 and \$94,835, respectively. In addition, disbursements exceeded appropriations for the General Fund in 2020, in the amount of \$277,439.

Criteria

Indiana Code 36-5-4-2 states in part: "Unless a statute provides otherwise, town monies may be disbursed only after an appropriation made by ordinance of the town legislative body . . ."

ANNUAL FINANCIAL REPORT

Condition and Context

There was no supporting documentation provided to substantiate the amounts reported in the Town's Annual Financial Reports for Accounts Payable, Accounts Receivable, Leases, Debt, and Capital Assets.

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](#)."

CARES ACT FUND

Condition and Context

The Town did not properly account for the Coronavirus Relief Fund (CRF) in accordance with the State Examiner Directive 2020-3.

The Town did not properly establish a separate CARES grant fund for the CRF grant that followed the uniform chart of accounts. The Town utilized fund 101, entitled General Fund, for reimbursements received from the Indiana Finance Authority. Without the establishment of a separate fund, neither option for payroll costs could be followed.

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

Criteria

Each local unit of government that receives an allocation from the Coronavirus Relief Fund administered by IFA shall establish a separate CARES grant fund with a fund number consistent with memorandum *Accounting and Appropriation of COVID-19 Grants, April 29, 2020 (updated September 29, 2020)*.

All Reimbursements received from IFA shall be receipted into a separate CARES grant fund that is specific to IFA reimbursements. . . .

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options. . . .

Option One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and re-appropriate the general fund (or other fund) in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the general fund (or other fund), it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once option one is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

Option Two. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum *CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020*. . . .**

(State Examiner Directive 2020-3)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

The Town created the Motor Vehicle Highway (MVH) Restricted fund as required. However, the Town did not allocate or deposit at least 50 percent of the distribution from the State Motor Vehicle Highway Account at the time of the receipt into the MVH Restricted fund during 2019 and 2020. During 2019, \$0 of the \$103,040 was allocated into the MVH Restricted fund. During 2020, \$8,227 of the \$90,876 was allocated into the MVH Restricted fund.

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

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)

MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

Condition and Context

During 2019, 2020, and 2021, the required monthly uploads were late for 7, 6, and 12 out of 12 months, respectively. The required annual uploads were late for all years of the audit period.

Criteria

The purpose of this Directive is to establish procedures and a timeline for the use of the "Indiana Gateway for Government Units" application entitled "Monthly and Annual Engagement Uploads" (the Upload App). The Upload App will provide a more efficient and cost-effective audit process for governmental units.

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. . . .

Thereafter, monthly files must be uploaded no later than the 15th day of the second succeeding month, i.e., August monthly files are due on October 15. . . .

Annual files are due to be uploaded on Gateway no later than March 1, 2019. Thereafter, annual files must be uploaded no later than March 1 for the prior year end unless the SBOA establishes a different date. . . . (State Examiner Directive 2018-1)

This amended directive is effective starting with December 2020 monthly files. The upload of December 2020 monthly files will be due February 15, 2021, and by the 15th of each month thereafter unless the State Board of Accounts (SBOA) establishes a different date. This is effective for 2020 annual files which will be due for upload March 1, 2021, for calendar year end units. . . . Thereafter, annual files must be uploaded no later than March 1st . . . for the prior year end unless the SBOA establishes a different date. (Amended State Examiner Directive 2018-1)

CLERK-TREASURER
TOWN OF INGALLS
EXIT CONFERENCE

The contents of this report were discussed on December 6, 2022, with Kip Golden, Clerk-Treasurer, and Melanie Johnson, Vice President of the Town Council.

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TOWN COUNCIL
TOWN OF INGALLS

TOWN COUNCIL
TOWN OF INGALLS
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

The same comment appeared in prior Report B56150.

Condition and Context

Town employees, whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the Town, had not received training over the minimum internal control standards as defined by the Indiana State Board of Accounts during the audit period.

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 INGALLS
EXIT CONFERENCE

The contents of this report were discussed on December 6, 2022, with Kip Golden, Clerk-Treasurer, and Melanie Johnson, Vice President of the Town Council.