

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF MONTICELLO

WHITE COUNTY, INDIANA

January 1, 2013 to December 31, 2014



**FILED**  
05/01/2017



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## SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Elizabeth J. Oilar (deceased) (Vacant) James Mann	01-01-12 to 10-16-14 10-17-14 to 11-24-14 11-25-14 to 12-31-19
Mayor	Kenneth P. Houston	01-01-12 to 12-31-19
President of the Board of Public Works and Safety	Grace Oilar Andy Harmon Grace Oilar	01-01-13 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17
President Pro Tempore of the Common Council	Phillip L. Vogel James Mann (Vacant) Doug Pepple	01-01-13 to 12-31-13 01-01-14 to 11-24-14 11-25-14 to 12-31-14 01-01-15 to 12-31-17
Superintendent of Water Utility	Rodney Pool	01-01-13 to 12-31-17
Superintendent of Wastewater Utility	Joseph Mowrer David Downey	01-01-13 to 11-30-16 12-01-16 to 12-31-17



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF MONTICELLO, WHITE COUNTY, INDIANA

This report is supplemental to our examination report of the City of Monticello (City), for the period from January 1, 2013 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement Examination Report of the City, which provides our opinion 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 Examination 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 Examination Results and Comments, incorporated within this report, was not verified for accuracy.

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

March 6, 2017

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CLERK-TREASURER  
CITY OF MONTICELLO

CLERK-TREASURER  
CITY OF MONTICELLO  
EXAMINATION RESULTS AND COMMENTS

**OVERDRAWN CASH BALANCES**

The financial statement presented for examination included the Constitution Plaza Fund and the TIF Bnd P&I fund with overdrawn cash balances at December 31, 2014, of \$8,131 and \$350, respectively.

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)

**ANNUAL FINANCIAL REPORT**

The Clerk-Treasurer input the financial information into the Indiana Gateway for Government Units financial system, which is the source of the Annual Financial Report (AFR) and the financial statement. The following errors occurred on the AFR and the financial statement:

1. In 2014, the 14 Sewer SRF Construction Account fund was originally omitted which resulted in receipts and disbursements being understated by \$1,116,985.
2. In 2014, the Water Rent Deposits fund and a "Total Monies on Deposit Fund" contained investment transactions which overstated the receipts and disbursements of those funds by \$1,045,000. The "Total Monies on Deposit Fund" should not have been included in the financial statement.
3. In 2013 and 2014, the Monticello Redevelopment Commission fund and the Monticello Economic Development Commission fund were not reported in the AFR.

Audit adjustments were proposed, accepted by the City, and made to the AFR and the financial statement.

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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."



CLERK-TREASURER  
CITY OF MONTICELLO  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**INTERNAL CONTROLS OVER FINANCIAL REPORTING**

There was a deficiency in the City's internal control system over the input of the financial information. Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the City's financial statement and then determining how those identified risks should be managed. The City had not identified risks to the preparation of a reliable financial statement and as a result failed to design effective controls over the input of the financial information. The Clerk-Treasurer independently input the financial information without oversight, review, or approval.

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. . . ."



# City of Monticello

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Michelle Mills, Deputy Clerk Treasurer

Mary Black, 2nd Deputy/Payroll Clerk

March 15, 2017

Lisa David  
State Board of Accounts  
302 W Washington Street  
Room E418  
Indianapolis, IN 46204


Dear Lisa,

On Monday, March 6, 2017 we had an exit interview with Andy Williams and Mike Doll on the matter of the City of Monticello's 2013 and 2014 financial records.

We acknowledge the feedback provided on the documents we reviewed with Andy and Mike. Our intentions are to further identify, analyze and mitigate the risks regarding the preparation of the financial statement. Once this has been completed we also plan to design and document standards that will reduce prospective errors to the preparation of future financial statements.

We have appreciated the strong level of professionalism demonstrated by the entire team of State Board of Accounts Field Examiners during the examination process.

Very Truly Yours,

  
Kenneth P Houston,  
Mayor

  
James D Mann,  
Clerk Treasurer

CLERK-TREASURER  
CITY OF MONTICELLO  
EXIT CONFERENCE

The contents of this report were discussed on March 6, 2017, with James Mann, Clerk-Treasurer; Kenneth P. Houston, Mayor; Grace Oilar, President of the Board of Public Works and Safety; and Ralph Widmer, Common Council member.