

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MONROE

ADAMS COUNTY, INDIANA

January 1, 2021 to December 31, 2022



**FILED**  
11/30/2023



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rachel E. Tague	01-01-21 to 12-31-23
President of the Town Council	Debra S. Giessler	01-01-21 to 12-31-23



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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TO: THE OFFICIALS OF THE TOWN OF MONROE, ADAMS COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Monroe (Town), for the period from January 1, 2021 to December 31, 2022. 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 the 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/](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

November 21, 2023

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CLERK-TREASURER  
TOWN OF MONROE

CLERK-TREASURER  
TOWN OF MONROE  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

A similar comment appeared in prior Reports B52763, B55008, and B58365, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

*Condition and Context*

There were deficiencies in the internal control system of the Town related to financial transactions and reporting.

*Cash and Investments*

A third-party vendor performs the bank reconcilements for the Town; however, there was no indication of an adequate internal control in place, such as oversight, review, or timely approval of the reconcilements by the Town.

*Financial Close and Reporting*

The Clerk-Treasurer prepared and submitted financial information in the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Report and financial statement. There were no adequate internal controls in place, such as oversight, review, or approval process to ensure that the information submitted was accurate and timely.

*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. . . ."

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

**ANNUAL FINANCIAL REPORT**

A similar comment appeared in prior Reports B55008 and B58365, entitled *ANNUAL FINANCIAL REPORT*.

*Condition and Context*

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The Town had not established effective internal controls over the AFR information entered into Gateway, which resulted in the following errors:

*Financial Data*

The financial activity of the Water SRF Bond and Interest, Water SRF Construction A, Water SRF Construction B, Water SRF BAN20, Sewage SRF Bond and Interest, Sewage SRF Construction, and Sewage SRF Debt Service Reserve funds were not reported, or improperly reported, on the AFR. The financial activity of these funds was also not recorded in the Town's fund ledger.

As a result, the AFR for 2021 had the following understated amounts: beginning cash and investments balance by \$807,855, receipts by \$1,278,659, and disbursements by \$2,090,577. The ending cash and investments balance was overstated by \$4,063.

The AFR for 2022 had the following understated amounts: receipts by \$159,716 and disbursements by \$1,234,576. The ending cash and investments balance was overstated by \$1,078,923.

Audit adjustments were proposed, accepted by the Town, and made to the financial statement and to the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Required Supplementary Information in the Financial Statement Audit Report of the Town.

*Leases and Debt*

The Town did not accurately report the following leases and debt information at December 31, 2022:

1. Waterworks Revenue Bonds of 2020 Series A ending principal balance was understated by \$1,000.
2. Sewage Works Revenue Bonds of 2019 ending principal balance was overstated by \$23,000.
3. Sewage Works Revenue Bonds of 2019 principal due within one year was understated by \$1,000.

Audit adjustments were proposed, accepted by the Town, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report of the Town.

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

*Capital Assets*

The Town did not accurately report the capital asset activity of the Town at December 31, 2022.

The Town approved the omission of the Schedule of Capital Assets in the Financial Statement Audit Report of the Town.

*Payables and Receivables*

The amounts that the Town reported for accounts payable and accounts receivable at December 31, 2022, could not be verified.

The Town approved the omission of the Schedule of Payables and Receivables in the Financial Statement Audit Report of the Town.

*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](#)."

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. . . ."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

**BANK ACCOUNT RECONCILIATIONS**

A similar comment appeared in prior Reports B52763, B55008, and B58365, entitled *BANK ACCOUNT RECONCILIATIONS*.

*Condition and Context*

Bank account reconciliations were not performed for any Town bank accounts during the months of January 2021 through April 2021. Bank account reconciliations were performed as of May 2021 and thereafter; however, only 3 of the Town's 13 bank accounts were reconciled.

In addition, on the Town's December 2022 bank account reconciliation, \$166,014 was incorrectly listed as "Deposits in Transit." Included in this amount, \$153,739 was identified as being the June 2022 Spring Tax Settlement. This transaction had previously been posted and deposited properly. An additional \$12,143 was identified as other receipts that had previously been posted and deposited properly.

At December 31, 2021 and 2022, the reconciled bank balances exceeded the record balances by a net amount of \$2,834 and \$2,421, respectively.

*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."

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)

**FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS**

*Condition and Context*

Although the Town paid monthly federal payroll taxes to the Department of the Treasury - Internal Revenue Service during the audit period, the payments posted to the Town's fund ledger did not always correspond with the payments listed on the Town's Form 941 (Employer's Quarterly Federal Tax Return).

During 2021, one payment was not posted to the Town's fund ledger, but appeared on the Form 941.

During 2022, two payments were not posted to the Town's fund ledger, but appeared on the Form 941. In addition, two extra payments in 2022 were made to pay September 2021 taxes; however, these payments were already paid in the prior year.

*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)

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

**CONTRACTS**

The same comment appeared in prior Report B58365.

*Condition and Context*

The Town's fire contract with the Monroe Volunteer Fire Department was created and approved in 2017. The contract had not been renewed or updated since 2017. The payments made in 2021 and 2022 exceeded the 2017 contracted amount.

*Criteria*

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**CLAIM APPROVAL**

A similar comment appeared in prior Report B58365, entitled *CLAIM APPROVAL*.

*Condition and Context*

Claims for State Revolving Fund (SRF) disbursements were not approved by the Town Council.

*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: . . .

(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. . . ."

**MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND**

A similar comment appeared in prior Report B58365, entitled *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 record 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. Incorrect amounts of state distributions were posted into the Motor Vehicle Highway, the Local Road and Street, and the MVH - Restricted funds.

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

*Criteria*

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."

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)

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)

**MONTHLY AND ANNUAL GATEWAY UPLOADS**

A similar comment appeared in prior Report B58365, entitled *MONTHLY AND ANNUAL GATEWAY UPLOADS*.

*Condition and Context*

The Town did not comply with the State Examiner Directive and did not upload any of the monthly and annual files on the Indiana Gateway for Government Units financial reporting system for 2021 and 2022 until September 2023.

*Criteria*

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 15<sup>th</sup> 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 1<sup>st</sup> . . . for the prior year end unless the SBOA establishes a different date.

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.ifonline.org/userguides/engagementguide> **It is pertinent that this user guide be used in conjunction with this Directive.** It provides critical information to you that will help guide you to uploading the correct documents.

(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)

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

**CAPITAL ASSETS**

A similar comment appeared in prior Reports B52763, B55008, and B58365, entitled *CAPITAL ASSETS*.

*Condition and Context*

The Town had not maintained a complete detailed listing of capital assets owned. 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)

**DEBIT CARDS**

A similar comment appeared in prior Report B58365, entitled *DEBIT CARDS*.

*Condition and Context*

The Town was using a debit card for purchases without an adopted ordinance or resolution authorizing debit card use.

*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 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.

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

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)

CLERK-TREASURER  
TOWN OF MONROE  
EXIT CONFERENCE

The contents of this report were discussed on November 21, 2023, with Rachel E. Tague, Clerk-Treasurer, and Debra S. Giessler, President of the Town Council.

TOWN COUNCIL  
TOWN OF MONROE

TOWN COUNCIL  
TOWN OF MONROE  
AUDIT RESULTS AND COMMENTS

**SANITATION FEES**

*Condition and Context*

The Town did not provide a current ordinance or resolution for sanitation billing rates. Fees charged to customers for sanitation services were approved on August 5, 2021, by Town Council vote, rather than an ordinance or resolution.

*Criteria*

Fees can only be collected as specifically authorized by law or properly authorized ordinance/resolution. When a fee is NOT specified by law, but instead through the use of an ordinance/resolution, sufficient authoritative reference should be maintained. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**CONTRACTS**

The same comment appeared in prior Report B58365.

*Condition and Context*

The Town's fire contract with the Monroe Volunteer Fire Department was created and approved in 2017. The contract had not been renewed or updated since 2017. The payments made in 2021 and 2022 exceeded the 2017 contracted amount.

*Criteria*

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**CLAIM APPROVAL**

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*Condition and Context*

Claims for State Revolving Fund (SRF) disbursements were not approved by the Town Council.

*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.

TOWN COUNCIL  
TOWN OF MONROE  
AUDIT RESULTS AND COMMENTS  
(Continued)

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

(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. . . ."

**CAPITAL ASSETS**

*Condition and Context*

The Town could not present a capital asset policy.

*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)

**DEBIT CARDS**

A similar comment appeared in prior Report B58365, entitled *DEBIT CARDS*.

*Condition and Context*

The Town was using a debit card for purchases without an adopted ordinance or resolution authorizing debit card use.

*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 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.

TOWN COUNCIL  
TOWN OF MONROE  
AUDIT RESULTS AND COMMENTS  
(Continued)

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 MONROE  
EXIT CONFERENCE

The contents of this report were discussed on November 21, 2023, with Debra S. Giessler, President of the Town Council.