

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MONROEVILLE

ALLEN COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED

01/05/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Bank Account Reconciliations.....	6
Utility Billing Errors	6
Condition of Records.....	6-7
Credit Cards	7-8
Motor Vehicle Highway (MVH) - Restricted Fund	8
Internal Controls.....	8-9
Exit Conference	10

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kevin Wenger	01-01-19 to 12-31-23
President of the Town Council	Donald Gerardot	01-01-19 to 12-31-23
Utility Office Manager	Larry Oberley Daniel Reinhart	01-01-19 to 12-31-20 01-01-21 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF MONROEVILLE, ALLEN COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Monroeville (Town), for the period from January 1, 2019 to December 31, 2019. 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/.

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 21, 2023

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CLERK-TREASURER
TOWN OF MONROEVILLE

CLERK-TREASURER
TOWN OF MONROEVILLE
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Condition and Context

The Town did not perform bank account reconciliations for three of the Town's depository accounts and three Certificates of Deposit.

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."

UTILITY BILLING ERRORS

Condition and Context

Out of 25 billings sampled, 2 were not calculated according to the Town's local rate ordinance. One customer was undercharged for wastewater and another customer was not charged for sales tax on water usage.

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)

Units have a responsibility to collect amounts owed to the unit pursuant to procedures authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CONDITION OF RECORDS

The same comment also appeared in prior Report B54866.

Condition and Context

The Town recorded the State Revolving Fund (SRF) loan activity (SRF funds) in the Annual Financial Report (AFR) directly from the bank accounts because the amounts were not included in the Town's ledger. The SRF funds must be included in the Town's ledger.

Additionally, a utility customer clearing account was not recorded in the ledger or on the AFR, and a monthly bank reconciliation was not performed. The bank collected utility payments on the Town's behalf and deposited the money into this account. The funds were not recorded on the ledger until the Clerk-Treasurer took the prior month's collections and transferred them to the designated funds.

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)

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

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)

CREDIT CARDS

A similar comment appeared in prior Reports B48622 and B54866, entitled *CREDIT CARDS*.

Condition and Context

Out of 11 credit card payments sampled, 7 did not have sufficient documentation, such as receipts, to support the amounts on the credit card statements.

Criteria

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

1. The governing board must authorize credit 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 credit card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the credit 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. Credit 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.
7. Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee may be the personal obligation of the responsible officer or employee.
8. If authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

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)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

The Town did not properly establish an MVH Restricted Fund as required by State Examiner Directive 2018-2. The Town created object code 990 named "230 - MVH Restricted Fund" within the Motor Vehicle Highway Fund, and, as a result, the MVH Restricted Fund was not separately shown on the Annual Financial Report during the audit period.

Criteria

On the chart of accounts, the MVH Fund and MVH Restricted sub-fund shall be shown as follows:

Cities and Towns

Fund 201	MVH
Fund 203	MVH Restricted

Together, MVH and MVH Restricted shall constitute the total MVH Fund. MVH and MVH Restricted will be shown separately on the Annual Financial Report . . .

(State Examiner Directive 2018-2)

INTERNAL CONTROLS

A similar comment also appeared in prior Reports B48622 and B54866, entitled *INTERNAL CONTROLS*.

Condition and Context

Internal control activities should be selected and developed at various levels to reduce risks of error and/or fraud of the financial statement. The failure to properly design and implement these internal controls enabled material misstatements to occur and remain undetected.

Receipts

One person was responsible for collecting, issuing, depositing, and posting receipts without any oversight, review, or approval process in place.

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

Financial Close and Reporting

The Annual Financial Report (AFR) and financial statement did not include the financial activity of the utility customer clearing account. The bank collected utility payments on the Town's behalf and deposited the money into this account. The funds were not recorded in the ledger until the Clerk-Treasurer took the prior month's collections and transferred them to the designated funds. Other personnel had reviewed the AFR; however, the review was ineffective in preventing, or detecting and correcting, the utility customer clearing account omission.

Due to the omission of the Utility Customer Deposits (Clearing) fund the beginning cash and investments balance, receipts, disbursements, and the ending cash and investments balance were understated by \$34,254, \$418,911, \$419,291, and \$33,874, respectively.

Audit adjustments were proposed, accepted by the Town, and made to the AFR and the financial statement presented 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. . . ."

CLERK-TREASURER
TOWN OF MONROEVILLE
EXIT CONFERENCE

The contents of this report were discussed on December 21, 2023, with Kevin Wenger, Clerk-Treasurer; Donald Gerardot, President of the Town Council; Richard Stephenson, Town Council member; and Tim Berry, Town Council member.