

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MONROE FIRE PROTECTION DISTRICT

MONROE COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED

09/11/2023

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Audit Result and Comment: Internal Controls over Financial Close and Reporting and Payroll Disbursements	4
Official Response	5-9
Exit Conference.....	10

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Fiscal Officer	C. Edward Brown	01-01-22 to 12-31-23
President of the District Board	Vicky Sorensen	01-01-22 to 12-31-23
Fire Chief	Dustin C. Dillard	01-01-22 to 12-31-23



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 MONROE FIRE PROTECTION DISTRICT, MONROE COUNTY, INDIANA

This report is supplemental to the audit report of the Monroe Fire Protection District (District), for the period from January 1, 2022 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 District. It should be read in conjunction with the Financial Statement Audit Report of the District, which provides our opinions on the District'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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

August 23, 2023

MONROE FIRE PROTECTION DISTRICT
AUDIT RESULT AND COMMENT

**INTERNAL CONTROLS OVER FINANCIAL CLOSE AND
REPORTING AND PAYROLL DISBURSEMENTS**

Condition and Context

A proper system of internal controls, which would include appropriate segregation of duties, should be designed and implemented at various levels to effectively prevent, or detect and correct, errors. Deficiencies in the internal control system related to financial close and reporting and payroll disbursements were identified.

Financial Close and Reporting

Financial information is required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The District established, but did not adequately document, internal controls over the financial information entered into Gateway.

The District's outside accounting service entered the financial information into Gateway, and the information was then reviewed and submitted by the District Fiscal Officer; however, the District did not have any documented evidence of the review process as described having occurred.

The District had not established internal controls over the federal grant information prepared and submitted into Gateway. One employee prepared and entered the grant information without evidence of an oversight or review process in place to prevent, or detect and correct, errors.

Payroll Disbursements

The District established, but did not adequately document, internal controls over payroll.

Payroll vouchers were prepared by the Human Resources Administrative Assistant and the Financial Coordinator, and reviewed and approved by the Fire Chief; however, the District did not have any documented evidence of the review process as described having occurred.

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. . . ."



Monroe Fire Protection District



The following response is in reference to Federal Compliance Audit Report for Monroe Fire Protection District

On Wednesday August 23, 2023, members of the Monroe Fire Protection District administration met with representatives of the Indiana State Board of Accounts to complete and Audit Exit Conference. During this conference many questions regarding the SBOA findings were left unanswered. During this conference it was discovered the auditor had not considered the MFPD payroll review which is documented as a “compilation report.”

The MFPD issues the following response:

Finding 2022-001:

- Financial Close and Reporting
 - The finding states the district established, but did not adequately document evidence of the review of the AFR
 - The district’s internal controls do not require documentation and language provided by the SBOA in the findings letter does not indicate a requirement. “If compensating controls are necessary, documentation *should* exist...” Should is a signal word for recommendation, but not a requirement.
 - Root Advisors compiles and enters financial information into Indiana Gateway. The Financial Administrative Assistant then reviews the information that has been entered prior to speaking with the Fiscal Officer who then uses their unique credentials to access the information digitally, review and submit.
 - There is no requirement for written documentation of this review process, however, MFPD does document the review process, but lacked initials or signatures of those participating. While it may be recommended to document this information, the district has not violated any policy, procedure or statute.

HEADQUARTERS
STATION 22
3953 S KENNEDY DRIVE
BLOOMINGTON IN
812-331-1906
812-336-1166 (FAX)

- The MFPD’s review document was not requested prior to the findings and was not reviewed by the Auditor.
- Payroll
 - The finding states the district did not document evidence of the review process having occurred.
 - Administrative staff compile and review semi-monthly payroll vouchers and supporting documentation. A minimum of two personnel review each payroll prior to submission to the Fire Chief and Root Advisors.
 - The district’s internal controls do not require documentation, and language provided by the SBOA in the findings letter does not indicate a requirement. “If compensating controls are necessary, documentation *should* exist...” Should is a signal word for recommendation, but not a requirement.
 - There is no requirement for written documentation of this review process, however, MFPD does document the review process, but lacked initials or signatures of those participating. While it may be recommended to document this information, the district has not violated any policy, procedure or statute.
 - The MFPD’s review document was not requested prior to the findings and was not reviewed by the Auditor.

Finding 2022-002:

- Condition and Context
 - The finding states the district did not establish internal controls over the federal award information entered into Gateway and that an employee entered the grant information without evidence of an oversight or review process.
 - The district does have a system for internal controls and it applies to the federal award.
 - The findings document implies the employee is the only individual involved in entering the information on the SEFA. This is incorrect and questions were not directed to the district for additional information on the process.
- Criteria
 - The finding states a system of internal controls was not designed or implemented by the “township”
 - This contradicts the fact the district does have an established system of internal controls, which is referenced in findings 2022-001 and 2022-004.
 - Other language in this section is not applicable
- Effect
 - The finding states a lack of evidence of an oversight and review process was in place.
 - There is no requirement for written documentation of this review process, however, MFPD does document the review process, but lacked initials or signatures of those participating. While it may be recommended to document this information, the district has not violated any policy, procedure or statute.

- The finding references additional language that implies a recommended process and not a requirement. The district does have a system of internal controls that meets the required process
 - There is redundant use of language that appears to be “copy and paste” from a township audit.
- The MFPD’s review document was not requested prior to the findings and was not reviewed by the Auditor.

Finding 2022-003

- Condition and Context
 - The finding states once again the district has not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties that would likely be effective in preventing or detecting and correcting non-compliance and that The Fire Protection District submitted seven reimbursement requests during the audit period. The Financial Coordinator compiled the payroll and benefit amounts to be submitted for reimbursement and provided it to the Fire Chief. The reimbursement request was then filed by the Fire Chief without evidence of an oversight or review process in place to prevent, or detect and correct, errors and ensure the payroll was an allowable activity, allowable cost, paid prior to reimbursement and within the period of performance.
 - The district does have a system of internal controls and that has been referenced in finding 2022-001 and 2022-004.
 - The findings document implies the Fire Chief acted without knowledge of previous review, did not review nor provide oversight on the requests. This is incorrect and questions were not directed to the district for additional information on the process.
 - There is no requirement for written documentation of this review process, however, MFPD does document the review process, but lacked initials or signatures of those participating. While it may be recommended to document this information, the district has not violated any policy, procedure or statute.
 - There was additional language included in the findings referencing 2 CFR 200.303, which included no direction for documenting the oversight and review process.
 - There is no requirement for written documentation of this process and while it may be recommended to document this information, the district has not violated any policy, procedure or statute.
 - The MFPD’s review document was not requested prior to the findings and was not reviewed by the Auditor.

Finding 2022-004

- Condition and Context
 - The finding states reimbursement requests were filed by the Fire Chief without a review or oversight process in place to prevent or detect and correct errors and ensure compliance with the reporting compliance requirement. The third paragraph begins with the district having a system of internal controls, which it does, but the next sentence states the district does not. The Fire Protection District did not submit the four Quarterly Performance Reports due during the audit period for the 2019 SAFER grant.
 - The findings document implies the Fire Chief acted without knowledge of previous review, did not review nor provide oversight on the requests. This is incorrect and questions were not directed to the district for additional information on the process.
 - There is no requirement for written documentation of this review process, however, MFPD does document the review process, but lacked initials or signatures of those participating. While it may be recommended to document this information, the district has not violated any policy, procedure or statute.
 - There was additional language included in the findings referencing 2 CFR 200.303, which included no direction for documenting the oversight and review process.
 - There is no requirement for written documentation of this process and while it may be recommended to document this information, the district has not violated any policy, procedure or statute.
 - The MFPD’s review document was not requested prior to the findings and was not reviewed by the Auditor.
 - Throughout the findings document there is contrasting information regarding the districts system of internal controls. Often saying the district does not have a system, but it does.
 - There were not four quarterly reports due during the audit period and this was discussed with the auditor. FEMA Information Bulletin No. 468 distributed on April 24, 2022 outlined changes to the NOFO for SAFER grants and changed the reporting requirement. This change to the “Programmatic Reporting Schedule” resulted in one reporting being due by April 30, 2022. Subsequent reports were not due until 2023.
 - Documented communication issues with FEMA representatives for multiple SAFER grants were compiled and communicated with the auditor. These communications were in reference to reporting, due dates, reimbursement requests and other items.
 - The finding states “As a result, reimbursement requests were completed and filed by one individual and the Semi-Annual SF-425 Federal Financial Report and the four Quarterly Performance Reports due during the audit period were not submitted as required.”
- Effect
 - The finding states “As a result, reimbursement requests were completed and filed by one individual and the Semi-Annual SF-425 Federal Financial Report and the four Quarterly Performance Reports due during the audit period were not submitted as required.”

- This is incorrect. Semi-Annual SF-425 reports were submitted, though late. Only one Quarterly Performance Report was due and its submission did not occur due to a change in the reporting process.

In Summary:

1. The district does not feel findings 001, 002, 003 and portions of 004 are legitimate findings and the reasoning is listed above.
2. During the audit process, the auditor spoke with the financial administrator recommending documentation of review and oversight for some processes. This recommendation was immediately implemented on June 27, 2023 to document the review of payroll. Going forward this documentation will be completed for payroll vouchers, reimbursements requested and the AFR. However, the District's Compilation document for payroll was not considered and is documented evidence of the review process.
 - a. The financial administrator was of the understanding this was a verbal recommendation and not a finding.
 - b. Affidavits were offered to the auditor as documentation for the review process of these items by those who were involved in the review processes. This documentation was declined.
 - c. The Fire Chief was not asked about the process or documentation supporting the information submitted had been reviewed or oversight provided.
 - d. During the exit conference the auditor stated the described Compilation report could have been utilized as documentation of the review process and acknowledged they did not request additional documentation prior to submitting the finding.
 - e. After learning of the documentation in the exit conference, SBOA officials did not offer to revise the findings based on the new information. They did however state they would be correcting additional grammatical issues and incorrect information pointed out by MFPD administration during the conference.


Dustin C. Dillard – Chief

MONROE FIRE PROTECTION DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on August 23, 2023, with Dustin C. Dillard, Fire Chief; Vicky Sorensen, President of the District Board; Lorie Robinson, Financial Administrative Assistant; Tammy Bovenschen, Human Resources Administrative Assistant; and Jeffrey Combs, Assistant Fire Chief.