

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MONTEREY

PULASKI COUNTY, INDIANA

January 1, 2019 to December 31, 2022



FILED
12/22/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Linda S. McCune	01-01-19 to 12-31-23
President of the Town Council	Douglas A. Denton	01-01-19 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 MONTEREY, PULASKI COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Monterey (Town), for the period from January 1, 2019 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 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 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

December 13, 2023

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CLERK-TREASURER
TOWN OF MONTEREY

CLERK-TREASURER
TOWN OF MONTEREY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

A similar comment also appeared in prior Report B54131, entitled *INTERNAL CONTROLS*.

Condition and Context

There was a deficiency in the internal control system of the Town related to financial close and reporting. For the 2019, 2020, and 2022 Annual Financial Reports, the Town submitted the financial information into the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statement, from the Town's manual ledgers. There was no evidence of a review, oversight, or approval process by the Town to detect and correct errors prior to the submission.

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. . . ."

TOWN OF MONTEREY

TOWN COUNCIL

DOUGLAS A DENTON, PRESIDENT
AARON GILLEY, MEMBER
JOSHUA STACY, MEMBER
LINDA S MCCUNE, CLERK TREASURER

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OFFICIAL RESPONSE

December 14, 2023

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

Re: Town of Monterey Audit 2019-2022

I would like to respond and express my opinion to the Audit Results and Comments that were presented to me in the exit conference on December 13th.

Monterey is a very small town with me being the main and in the past the only person in the office to conduct the financial business. I do understand why Internal Controls had to be installed into the Cities and Towns due to other entities theft issues. I have made the changes that were put into place like the Gateway submissions starting in 2018. I started uploading the reconciled monthly bank statements, approved minutes and the funds detail report. In my previous audit 2015-2018, the auditors suggested I have the Council President sign the approved monthly meeting minutes and the Bank statements so that started to happen immediately. I am upset that they say I have repeat findings because I feel I do not have repeat findings. They suggested this time I have the Council sign my funds detail report and annual report in which I will start doing, but it is not a repeat finding request. The funds detail report did not even start until 2018. I feel like I have fulfilled my responsibilities and provided all information the Auditors asked for in a timely matter.

The Auditors gave an approximate cost of \$16500 for the audit, that is a very excessive amount. I find it hard to understand and justify this expense that will be billed to the town. I know the Town Council will want to see a detail invoice. They will want to know how the time is calculated and what controls are in place to guarantee the time spent on the audit is correct. How can towns manage this expense, it is definitely not in their budgets.

Sincerely



Linda S McCune
Monterey Clerk Treasurer

CLERK-TREASURER
TOWN OF MONTEREY
EXIT CONFERENCE

The contents of this report were discussed on December 13, 2023, with Linda S. McCune, Clerk-Treasurer; Douglas A. Denton, President of the Town Council; and Josh Stacy, Town Council member.