

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, 2022 to December 31, 2022



FILED

09/24/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Internal Controls	6
Annual Financial Report	6-7
Transaction Recording	8
Bank Reconciliations	8
Capital Assets	8
Certification on Internal Control Standards	9
Exit Conference	10
Common Council:	
Audit Result and Comment:	
Training on Internal Control Standards	12
Exit Conference	13

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	James D. Mann Doug Pepple	01-01-22 to 12-31-23 01-01-24 to 12-31-24
Mayor	Cathy Gross Aaron Sims	01-01-22 to 12-31-23 01-01-24 to 12-31-24
President of the Board of Public Works and Safety	Andy Harmon Josh Leonard	01-01-22 to 12-31-23 01-01-24 to 12-31-24
President Pro Tempore of the Common Council	Bill Cheever	01-01-22 to 12-31-24
Superintendent of Water Utility	Christopher W. Cohagan (Vacant) Brad Haygood	01-01-22 to 12-16-23 12-17-23 to 08-31-24 09-01-24 to 12-31-24
Superintendent of Wastewater Utility	Robert Lindley	01-01-22 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE CITY OF MONTICELLO, WHITE COUNTY, INDIANA

This report is supplemental to the audit report of the City of Monticello (City), 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 City. It should be read in conjunction with the Financial Statement Audit Report of the City, which provides our opinions on the City'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

September 19, 2024

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CLERK-TREASURER
CITY OF MONTICELLO

CLERK-TREASURER
CITY OF MONTICELLO
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

Internal control deficiencies resulted in the noncompliance over:

- Annual Financial Report
- Transaction Recording
- Bank Account Reconciliations
- Capital Assets
- Certification on Internal Control Standards

These internal control deficiencies are further detailed in the comments below.

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. . . ."

ANNUAL FINANCIAL REPORT

A similar comment also appeared in prior Report B60477, entitled *FINANCIAL TRANSACTIONS AND REPORTING*.

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 financial statement and leases and debt information entered into Gateway contained the following errors:

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

Financial Statement and Other Information - Combining Schedule

- The Sewage Bond Reserve fund receipts were overstated by \$251,482, and disbursements were overstated by \$1,364,244, which understated ending cash balance by \$1,112,762.
- The Sewage Bond P&I 2015A fund disbursements were understated by \$93,580, which overstated ending cash balance by \$93,580.
- The Sewage Bond P&I 2015B fund disbursements were overstated by \$93,580, which understated ending cash balance by \$93,580.
- The Lease Rental Bonds of 2015 P&I fund (related to the City's Redevelopment Authority) beginning cash balance was overstated \$87,891, receipts were understated by \$373,886, and disbursements were understated by \$365,550, which overstated ending cash balance by \$79,555.
- The Lease Rental Bonds of 2015 DSR fund (related to the City's Redevelopment Authority) beginning cash balance was understated \$24,530, and receipts were understated by \$2,419, which understated ending cash balance by \$26,949.
- The Lease Bonds of 2015 Bond Issuance fund (related to the City's Redevelopment Authority) beginning cash balance and ending cash balance were both overstated by \$15,938.

Other Information - Leases and Debt

- The Redevelopment District Lease Rental Bonds of 2015 was omitted from the debt schedule, which caused ending principal balance to be understated by \$2,740,000 and Principal Due Within One Year to be understated by \$290,000.

Audit adjustments were proposed, accepted by the City, and made to the financial statement and the Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis and Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report of the City.

The City did not include the financial activity of the Redevelopment Commission in the financial statement. Based on the bank activity for the Redevelopment Commission, beginning cash was understated by \$118,540, receipts understated by \$800, and disbursements understated by \$17,770, which understated ending cash balance by \$101,570. Amounts were immaterial to the financial statement, and audit adjustments were not made to the financial statement.

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](#)."

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

TRANSACTION RECORDING

Condition and Context

Financial transactions related to the Redevelopment Authority and the Redevelopment Commission were not recorded in the City's financial records or separate financial records. No financial records were maintained.

Criteria

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)

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)

BANK ACCOUNT RECONCILIATIONS

Condition and Context

The City was not performing complete and accurate reconciliations. The City reconciled its bank accounts timely each month; however, the certificate of deposits in three different banks and two debt related bank accounts were not included in the monthly reconciliations. In addition, a bank account in the name of the Redevelopment Commission was not being reconciled.

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."

CAPITAL ASSETS

The same comment appeared in the prior Report B60477.

Condition and Context

The City did not take a complete physical inventory of capital assets every two years.

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)

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

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The same comment appeared in the prior Report B60477.

Condition and Context

The City certified on the Indiana Gateway for Government Units (Gateway) financial reporting system that employees were trained on internal control standards. No documentation was provided for all personnel selected for testing to support that employees were trained on internal control standards; therefore, the certification was incorrect.

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](#)."

CLERK-TREASURER
CITY OF MONTICELLO
EXIT CONFERENCE

The contents of this report were discussed on September 19, 2024, with Aaron Sims, Mayor; Doug Pepple, Clerk-Treasurer; Bill Cheever, President Pro Tempore of the Common Council; Gary Allen, Common Council member; Josh Leonard, President of the Board of Public Works and Safety; Steve Brown, Board of Public Works and Safety member; Deborah Madtson, 2nd Deputy Clerk-Treasurer; Brenda Elizalde, Utility Office Manager; Mary Black, 1st Deputy Clerk-Treasurer; and Lori Cheever, HR Director.

COMMON COUNCIL
CITY OF MONTICELLO

COMMON COUNCIL
CITY OF MONTICELLO
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

The same comment appeared in prior Report B60477.

Condition and Context

Not all the employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belong to the federal government, state government, a political subdivision, or another governmental entity had received training over the internal control standards. Of the three employees tested that were required to received training (New Hires), two had not completed the training.

Criteria

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

COMMON COUNCIL
CITY OF MONTICELLO
EXIT CONFERENCE

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