

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

**Paul D. Joyce, CPA
State Examiner**

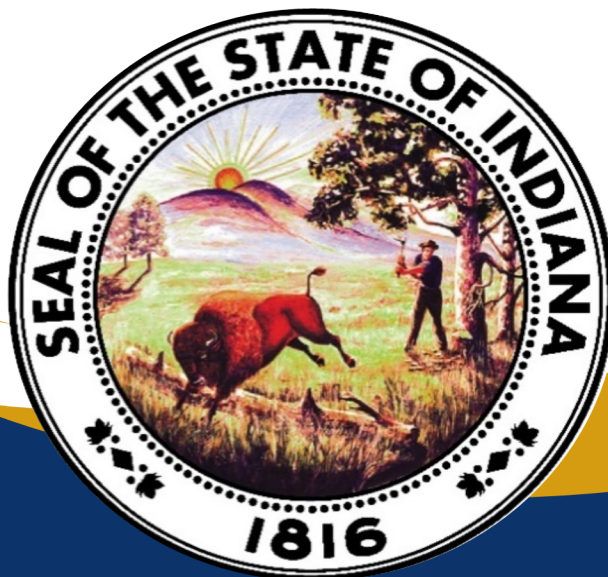
SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MONROEVILLE

ALLEN COUNTY, INDIANA

January 1, 2021 to December 31, 2023



FILED
12/30/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kevin Wenger Bobbi Elston	01-01-21 to 12-31-23 01-01-24 to 12-31-24
President of the Town Council	Donald Gerardot	01-01-21 to 12-31-24
Utility Office Manager	Daniel Reinhart	01-01-21 to 12-31-24



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INDIANA STATE BOARD OF ACCOUNTS

302 WEST WASHINGTON STREET

ROOM E418

INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513

Fax: (317) 232-4711

www.in.gov/sboa

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, 2021 to December 31, 2023. 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 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 9, 2024



CLERK-TREASURER
TOWN OF MONROEVILLE

CLERK-TREASURER
TOWN OF MONROEVILLE
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

A similar comment also appeared in prior Reports B48622, B54866, and 000000531S, entitled *INTERNAL CONTROLS*.

Condition and Context

The Town had not designed and implemented effective internal controls over receipts and state laws and uniform compliance guidelines.

Receipts

Throughout the audit period, one person was responsible for collecting, issuing, depositing, and posting receipts without any oversight, review, or approval process in place.

State Laws and Uniform Compliance Guidelines

The lack of effective internal controls allowed the following noncompliance issues to go undetected during the audit period:

- Deposit of Accountable Items
- Receipt Issuance
- Motor Vehicle Highway (MVH) - Restricted Fund
- Compensation
- Capital Assets
- Supporting Documentation
- Errors on Claims

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. . . .

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

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. . . ."

DEPOSIT OF ACCOUNTABLE ITEMS

Condition and Context

Of the 25 bank deposits selected for testing, 18, totaling \$41,247, did not have a detailed listing of the deposit to support the deposit ticket, which would include the makeup of the deposit, such as check, money orders, or currency. Therefore, it could not be determined whether the deposits were intact.

Additionally, of the 25 bank deposits selected for testing, 4 did not agree with the utility collections supporting documentation, for a total variance of \$2.

Criteria

Tickets, goods for sale, billings, and other collections, are considered accountable items for which a corresponding deposit must be made in the bank accounts of the unit. The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payers. (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 Towns, Chapter 1)

RECEIPT ISSUANCE

A similar comment also appeared in prior Reports B54866 and 000000531S, entitled *CONDITION OF RECORDS*.

Condition and Context

Throughout the audit period, the bank frequently collected customer utility payments on the Town's behalf and deposited the money into the Town's utility collections bank account. However, the funds were not recorded in the Town's ledger until the end of the month when the Clerk-Treasurer posted total monthly collections to the utility collection clearing fund. Collections were not posted to the individual utility funds until the Clerk-Treasurer transferred the prior month's collections to the designated utility operating funds.

Criteria

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (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)

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

A similar comment also appeared in prior Report 000000531S, entitled *MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND*.

Condition and Context

The Town did not establish an MVH Restricted fund as required by the 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. As the separate MVH Restricted fund was not created, \$25,906, \$26,912, and \$27,864 of state distribution receipts, intended for the MVH Restricted fund, were incorrectly recorded in the Motor Vehicle Highway fund for 2021, 2022, and 2023, respectively.

Criteria

The purpose of this Directive is to authorize and require counties, cities, and towns that receive distributions from the State Motor Vehicle Highway Account to **create a new sub-fund within the MVH Fund** to properly manage and account for the usage restrictions that were included in House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018.

The sub-fund will be referred to throughout this Directive as "MVH Restricted" and will be used to account for MVH monies which have been statutorily restricted for construction, reconstruction, and preservation purposes.

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.

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)

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

COMPENSATION

Condition and Context

One out of seven payroll disbursements tested was not paid in accordance with the Town salary ordinance, resulting in an underpayment of \$214.

Additionally, \$25,466 and \$17,826 in payroll disbursements were made to the Town Marshal during 2022 and 2023, respectively. The Town did not provide for audit evidence that this compensation was included in a labor contract, salary ordinance, resolution, or salary schedule adopted by the Town Council.

Criteria

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CAPITAL ASSETS

A similar comment appeared in a Management Letter addressed to the Officials of the Town for the audit period ending December 31, 2019.

Condition and Context

The Town did not perform a physical inventory of its capital assets at least every two years as required.

Additionally, the Town did provide for audit a detailed listing of capital assets; however, it was not complete, as it did not include additions and deletions that occurred during the year 2023.

Criteria

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)

SUPPORTING DOCUMENTATION

Condition and Context

The Town did not provide evidence that bids were sought through advertisement for two construction projects, contracted for \$1,839,655 and \$365,567, of six tested.

Additionally, the Town did not provide evidence that contractor financial statements were obtained during the bid process for two construction projects, contracted for \$1,839,655 and \$772,500, of six tested.

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

Criteria

Indiana Code 36-1-12-4(b)(3) states:

"Upon the filing of the plans and specifications, the board shall publish notice in accordance with [IC 5-3-1](#) calling for sealed proposals for the public work needed. If the board receives electronic bids as set forth in subsection (d), the board shall also provide electronic access to the notice of the bid solicitation through the computer gateway administered under [IC 4-13.1-2-2\(a\)\(6\)](#) by the office of technology."

Indiana Code 36-1-12-4(b)(6) states:

"The board shall require the bidder to submit a financial statement, a statement of experience, a proposed plan or plans for performing the public work, and the equipment that the bidder has available for the performance of the public work. The statement shall be submitted on forms prescribed by the state board of accounts."

ERRORS ON CLAIMS

Condition and Context

Upon request, the Town provided 24 vendor claims for examination that revealed the following errors:

- There was no documentation to support a \$41,383 claim was approved by the Town Council prior to payment.
- The Town did not record six disbursements, totaling \$161,321, in a timely manner. The disbursements were recorded from 5 days late to 16 days early.
- Adequate supporting documentation was not provided to determine whether six disbursements, totaling \$161,321, were a proper and allowable use of Town funds.

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 all of the following apply:

- (1) There is a fully itemized invoice or bill for the claim.
- (2) The invoice or bill is approved by the officer or person receiving the goods and services.
- (3) The invoice or bill is filed with the governmental entity's fiscal officer.
- (4) The fiscal officer audits and certifies before payment that the invoice or bill is true and correct.

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

- (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. . . ."

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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)

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)

CLERK-TREASURER
TOWN OF MONROEVILLE
EXIT CONFERENCE

The contents of this report were discussed on December 9, 2024, with Bobbi Elston, Clerk-Treasurer; Donald Gerardot, President of the Town Council; Richard Stephenson, Town Council member; and Tim Berry, Town Council member.