

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MONROE

ADAMS COUNTY, INDIANA

January 1, 2011 to December 31, 2014



**FILED**  
03/30/2016



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rachel A. Burkhart	01-01-11 to 12-31-15
President of the Town Council	C. Allen Lehman	01-01-11 to 12-31-15



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF MONROE, ADAMS COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Monroe (Town), for the period from January 1, 2011 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statements Examination Report of the Town, which provides our opinion on the Town's financial statements. This report may be found at [www.in.gov/sboa/](http://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 Examination 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 Examination Results and Comments, incorporated within this report, was not verified for accuracy.

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

November 16, 2015

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CLERK-TREASURER  
TOWN OF MONROE

CLERK-TREASURER  
TOWN OF MONROE  
EXAMINATION RESULTS AND COMMENTS

***SUPPORTING DOCUMENTATION***

Claims reviewed for the period January 1, 2011 through September 30, 2015, totaling \$989.48 were observed which did not contain adequate supporting documentation such as receipts, invoices, and other public records. Rachel Burkhart, Clerk-Treasurer, was responsible for \$149.89 for supplies without supporting documentation. Marty Shaffer, Town employee, was responsible for \$389.61 for supplies, lodging, and food without supporting documentation. Justin Shaffer, Town employee, was responsible for \$449.98 for supplies, lodging, food and mileage reimbursement without supporting documentation. Town employees at times would create their own invoices detailing items to be reimbursed rather than submit actual receipts.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit 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 7)

We requested Rachel Burkhart, Clerk-Treasurer; Marty Shaffer, Town employee; and Justin Shaffer, Town employee, reimburse the Town of Monroe \$149.89, \$389.61, and \$449.98, respectively. These amounts were reimbursed by these individuals by the date of this report. (See Summary of Charges, page 13)

***INTERNAL REVENUE SERVICE REPORTING***

During the review of the Internal Revenue Service (IRS) reporting, the following three errors were noted:

1. Trucks were being furnished by the Town to two employees. The Town Council approved the use of the trucks for personal driving as well as for Town business. The employees did not maintain a log of personal miles driven. For one of the two employees, \$5 per pay was added to taxable income. No additional income was shown on the other employee's W-2 form.
2. Reporting of the quarterly wages on the Employer's Quarterly Federal Tax Return (IRS Form 941) was incorrect for 9 of the 12 quarters in 2011, 2012, and 2013. IRS Form 941 could not be located for the 4 quarters of 2014.
3. The Town Council approved payments made directly to an employee to be deposited by the employee into his own personal Health Saving Account (HSA). However, these payments were outside the payroll process and no taxes were withheld. The payments were also not reported on the employee's Wage and Tax Statement (IRS Form W-2). The payments to the employee were not authorized in the applicable salary ordinances, but were included in a separate ordinance.

CLERK-TREASURER  
TOWN OF MONROE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

<u>Years</u>	<u>Amount</u>
2012	\$ 2,900
2013	7,025
2014	2,400

Whenever an item or other asset owned by the political subdivision is entrusted to an officer or employee, to be used at times outside the normal work time for business purposes, such as a cellular phone, or vehicle, a log should be maintained which clearly shows the business use. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***PENALTIES, INTEREST, AND OTHER CHARGES - INDIANA DEPARTMENT OF REVENUE***

The Utility paid penalties and interest to the Indiana Department of Revenue as noted because the Utility did not remit payments on a timely basis:

	2011	2012	2013	2014	Totals
Retail Sales Tax:					
Penalty and interest paid	\$ 88.81	\$ 215.02	\$ 198.63	\$ 406.89	\$ 909.35
Overpayments	700.75	341.74	766.18	3,893.84	5,702.51
Withholding Tax (Payroll):					
Penalty and interest paid	43.54	139.10	332.31	321.54	836.49
Overpayments (due)	(14.57)	-	1,684.45	2,553.22	4,223.10
Utility Receipts Tax:					
Penalty and interest paid	510.00	603.00	**	**	
Refunds received	4,594.52	6,405.60	**	**	
Remaining overpayments (due)	1,298.89	1,503.88	6,973.76*	(585.96)*	

\*Amounts were estimated since annual returns were not filed.

\*\*Annual return not filed as of August 2015, so information was not available.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest, or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLERK-TREASURER  
TOWN OF MONROE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to Indiana Code 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***PENALTIES AND INTEREST***

The Town incurred and paid penalties to the Bank of Geneva in the amount of \$302 because the Town cashed in Certificates of Deposit before their maturity dates.

The Town paid penalties and interest to various vendors in the amount of \$202 because the Town did not comply with payment procedures.

Officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest, or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***BOARD MINUTES MISSING***

The minutes of the meetings of the governing body were not presented for all meetings. There were three meetings held in which minutes were not presented for examination.

Indiana Code 5-14-1.5-4(b) states:

"As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under section 3.5 or 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication."

CLERK-TREASURER  
TOWN OF MONROE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**APPROPRIATIONS**

The records presented for examination indicated the following disbursements in excess of budgeted appropriations:

	Years	Excess Amount Expended
General	2011	\$ 56,261
Motor Vehicle Highway	2012	18,108
General	2014	21,891
Motor Vehicle Highway	2014	10,722
Cumulative Capital Improvement (Special Fire)	2014	38,463
Parks and Recreation	2014	14,107
Cumulative Capital Improvement	2014	4,770

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

**ANNUAL FINANCIAL REPORT**

The Annual Financial Report (AFR) for each examination year contained a number of errors and did not properly reflect the financial activity of the Town of Monroe. Ten different times the beginning balance of a fund did not equal the prior year's ending balance as reported on the AFR. Additionally, adjustments were made to reduce the ledger amounts of both receipts and disbursements as noted below:

Fund	Years	Amount
Motor Vehicle Highway	2011	\$(10,797)
General	2012	(4,621)
Motor Vehicle Highway	2012	(3,520)
General	2013	(3,208)
Motor Vehicle Highway	2013	(5,791)
General	2014	(10,624)
Motor Vehicle Highway	2014	(16,047)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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  
TOWN OF MONROE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

***ERRORS ON CLAIMS***

A sample of claims identified the following deficiencies with an error rate greater than 10 percent:

1. Several claims did not contain adequate supporting documentation. Claims for supplies and fuel generally included a statement rather than individual invoices. Some claims had no documentation attached at all. The employees would use their own invoices to list items claimed for reimbursement rather than the actual receipts. Claims were not on hand for all disbursements.
2. Of the claims tested, 99 percent of the claims were paid prior to Board approval.

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:

- (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; and
- (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."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit 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 7)

***POSTING OF DISBURSEMENTS***

Postings for disbursements of various items including payroll, fuel, supplies, and insurance were paid from various funds. There was no documentation to support why the postings were made to the specific funds and/or the division of payments when disbursements were posted to multiple funds.

The salary of an employee shall be charged entirely to the organization unit principally concerned with his service. Claims for other expenses are also required to be charged to the organization unit which is principally concerned. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 2)

CLERK-TREASURER  
TOWN OF MONROE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***FUEL PURCHASES***

Fuel logs were not maintained for over 14,000 gallons of fuel purchased. Individual fuel tickets were not retained for fuel purchased from one of the vendors. Officials were not aware of who the fuel credit cards were issued to. Without further documentation, we were unable to determine the legitimacy of the fuel purchases.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***INTERNAL CONTROL OVER DISBURSEMENTS***

We noted deficiencies in the internal control system of the Town related to disbursements as described below:

Override of Controls: Internal controls were in place over disbursements. However, controls over disbursements were overridden by the Clerk-Treasurer by failing to ensure claims submitted by the employees were properly itemized. Generally, disbursements were made prior to approval by the Town Council.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLERK-TREASURER  
TOWN OF MONROE  
EXIT CONFERENCE

The contents of this report were discussed on November 16, 2015, with Rachel A. Burkhart, Clerk-Treasurer; C. Allen Lehman, President of the Town Council; and Debra Giessler, Town Council member.

CLERK-TREASURER  
TOWN OF MONROE  
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Rachel Burkhart, Clerk-Treasurer:			
Supporting Documentation, page 6	\$ 149.89	\$	\$
Paid by check, Receipt Number 8535		149.89	-
Marty Shaffer, Town Employee:			
Supporting Documentation, page 6	389.61		
Paid by check, Receipt Number 8534		389.61	-
Justin Shaffer, Town Employee:			
Supporting Documentation, page 6	449.98		
Paid by check, Receipt Number 8533	<u>          </u>	<u>449.98</u>	<u>          </u> -
Totals	<u>\$ 989.48</u>	<u>\$ 989.48</u>	<u>\$           </u> -