

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MORGANTOWN

MORGAN COUNTY, INDIANA

January 1, 2016 to December 31, 2016



FILED
03/15/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sharon McIntosh	01-01-16 to 12-31-19
President of the Town Council	JoEllen Rowe Michael D. Day	01-01-16 to 07-04-17 07-05-17 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF MORGANTOWN, MORGAN COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Morgantown (Town), for the period from January 1, 2016 to December 31, 2016. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the Town. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the Town, which provides our opinions on the Town's financial statement and federal program compliance. This report may be found at www.in.gov/sboa.

The Federal Finding, identified in the above referenced audit report, is included in this report.

Any Corrective Action Plan for the Federal Finding, incorporated within this report, was not verified for accuracy.

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

January 31, 2018

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CLERK-TREASURER
TOWN OF MORGANTOWN

CLERK-TREASURER
TOWN OF MORGANTOWN
FEDERAL FINDING

FINDING 2016-001

Subject: Internal Controls over Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition

There were deficiencies in the internal control system of the Town related to Financial Transactions and Reporting. The monthly bank reconciliations were performed by the Clerk-Treasurer without any review or oversight by another person.

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. . . ."

Cause

Management had not established a proper system of internal control over Financial Transactions and Reporting.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements or irregularities could have occurred and remained undetected.

Recommendation

We recommended the Town establish controls, including segregation of duties, related to Financial Transactions and Reporting.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Town of Morgantown

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CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Sharon McIntosh, Clerk Treasurer
Contact Phone Number: 812-597-4626:

I concur with the SBOA finding.

Beginning with the October 2017 reconciliation the Town Council members receive a copy of the reconciliation of all bank statements in their monthly packet for their review prior to the Town Council meeting. At the monthly meeting action is taken by the Council and the reconciliation is approved. The Council members sign a signature page attested by the Clerk Treasurer of their action taken.

Anticipated Completion Date: January 30, 2018

Sharon McIntosh

Clerk Treasurer

(Title)

1/26/2018

CLERK-TREASURER
TOWN OF MORGANTOWN
EXIT CONFERENCE

The contents of this report were discussed on January 31, 2018, with Sharon McIntosh, Clerk-Treasurer, and Michael D. Day, President of the Town Council.