

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MENTONE

KOSCIUSKO COUNTY, INDIANA

January 1, 2013 to December 31, 2017



FILED
06/07/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Barbara Ross	01-01-12 to 12-31-19
President of the Town Council	Timothy Croy Jill Gross	01-01-13 to 12-31-15 01-01-16 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF MENTONE, KOSCIUSKO COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Mentone (Town), for the period from January 1, 2013 to December 31, 2017. 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 our Financial Statements Audit Report of the Town, which provides our opinion 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.

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

April 24, 2018

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TOWN COUNCIL
TOWN OF MENTONE

TOWN COUNCIL
TOWN OF MENTONE
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

The Clerk-Treasurer had not received the required training on the internal control standards. The Town failed to ensure that personnel received the training concerning the internal control standards adopted as required by Indiana Code 5-11-1-27(g).

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

". . . 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."

TOWN COUNCIL
TOWN OF MENTONE
EXIT CONFERENCE

The contents of this report were discussed on April 24, 2018, with Barbara Ross, Clerk-Treasurer, and Jill Gross, President of the Town Council.

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CLERK-TREASURER
TOWN OF MENTONE

CLERK-TREASURER
TOWN OF MENTONE
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

A similar comment appeared in prior Report B42682, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

There were several deficiencies in the internal control system of the Town related to Financial Transaction and Reporting.

Cash and Investments: Bank reconcilements were performed by the Clerk-Treasurer without an oversight, approval, or review process in place to ensure the accuracy of the cash and investment balances.

Receipts: Receipts were written by the Clerk-Treasurer without an oversight, approval, or review process in place to ensure the accuracy of the receipts. The Clerk-Treasurer received, recorded, and deposited all of the funds.

Disbursements/Payroll: The Clerk-Treasurer input the payroll information into the payroll computerized system; printed and distributed the payroll checks; prepared the payroll claims; issued payments for employee withholdings, employee benefits, and related payroll expenses; posted the payroll claims to the ledger; and prepared payroll reports without an oversight, approval, or review process in place to ensure the accuracy of the payroll disbursements.

Financial Close and Reporting: The Clerk-Treasurer ran the year-end reports and transmitted the information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source for the Annual Financial Report (AFR) without an oversight, approval, or review process in place to ensure the accuracy of the information submitted.

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:

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

"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. . . ."

TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS

The Town failed to ensure that all personnel received the training over the internal control standards adopted as required by Indiana code 5-11-1-27(g). The Clerk-Treasurer had not received the training. The Clerk-Treasurer certified on the Gateway financial reporting system on February 22, 2017, and February 23, 2018, that the training was received.

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 MENTONE
EXIT CONFERENCE

The contents of this report were discussed on April 24, 2018, with Barbara Ross, Clerk-Treasurer, and Jill Gross, President of the Town Council.