

**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, 2016 to December 31, 2016



**FILED**  
08/09/2018



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	James D. Mann	01-01-16 to 12-31-19
Mayor	Kenneth P. Houston	01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Andy Harmon Grace Oilar Andy Harmon	01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18
President Pro Tempore of the Common Council	Doug Pepple	01-01-16 to 12-31-18
Superintendent of Water Utility	Rodney Pool	01-01-16 to 12-31-18
Superintendent of Wastewater Utility	Joseph Mowrer David Downey	01-01-16 to 11-30-16 12-01-16 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF MONTICELLO, WHITE COUNTY, INDIANA

This report is supplemental to our audit report of the City of Monticello (City), 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 City. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the City, which provides our opinions on the City's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://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

July 19, 2018

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CLERK-TREASURER  
CITY OF MONTICELLO

CLERK-TREASURER  
CITY OF MONTICELLO  
FEDERAL FINDING

***FINDING 2016-001***

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding numbers were 2015-001 and 2015-002.

*Condition*

There were deficiencies in the internal control system of the City related to financial transactions and reporting.

The City had not separated incompatible activities related to receipts and the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Annual Financial Report, the financial statement, and the Schedule of Expenditures of Federal Awards.

*Receipts*

The City's Deputy Clerks processed City and utility receipts without oversight, review, or approval by another individual prior to recording them to the financial accounting system. Deputy Clerks were able to collect bills, record receipts, reconcile cash drawers, and complete daily deposit tickets without evidence of a proper system of oversight or review.

*Financial Reporting*

The City failed to properly review the financial information that was prepared and submitted into Gateway. One employee prepared and submitted the financial information without a system of oversight or review to detect and correct potential errors.

*Context*

The lack of internal controls was a systemic issue throughout the audit period.

CLERK-TREASURER  
CITY OF MONTICELLO  
FEDERAL FINDING  
(Continued)

*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 of the City had not established a proper system of internal controls.

*Effect*

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected.

*Recommendation*

We recommended that the City's management establish controls related to receipts and financial reporting.

*Views of Responsible Officials*

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



# City of Monticello

Jim Mann, Clerk Treasurer

clerktreasurer@monticelloin.gov

Office: 574.583.5712

Fax: 574.583.9244



Michelle Mills, Deputy Clerk Treasurer

Mary Black, 2nd Deputy/Payroll Clerk

## CORRECTIVE ACTION PLAN

### FINDING 2016-001

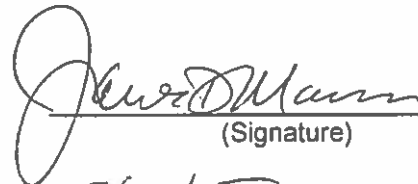
Contact Person Responsible for Corrective Action: James D Mann

Contact Phone Number: 574-583-5712


Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The City developed a reconciliation binder in 2017 which ties bank statements, fund reports, revenue reports, appropriation reports, and other related documents necessary to demonstrate a balanced month. This also includes documentation which references adjustments made in the balancing process. After review this binder is signed off by another staff member and the City Council President. We also established a sign off process in 2017 in the utility department where bank deposit slips are initialed and then cross referenced to a deposit ticket print out from our software. The utility staff dates and initials the document. The Payroll Clerk also began compiling a monthly binder in 2017 of documentation reconciling the payroll activities for each month. This binder is in turn signed off by the Clerk Treasurer and Council President. The Clerk Treasurer had dialogue with the Deputy Clerk about the data which was entered into Gateway. In the future the Clerk Treasurer will print out sections of the reporting requirements for Gateway and review the documents with other staff members to confirm accuracy. The documents will be signed off and dated prior to formal submission into the Gateway system.

Anticipated Completion Date: All has been completed except submission of data to Gateway. We will start this process with entering budget information in 2018.

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

CLERK-TREASURER  
CITY OF MONTICELLO  
EXIT CONFERENCE

The contents of this report were discussed on July 19, 2018, with James D. Mann, Clerk-Treasurer; Kenneth P. Houston, Mayor; Doug Pepple, President Pro Tempore of the Common Council; Ralph Widmer, Common Council member; Michelle Mills, Deputy Clerk-Treasurer; and Mary Black, Second Deputy/Payroll Clerk.