

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MORRISTOWN

SHELBY COUNTY, INDIANA

January 1, 2017 to December 31, 2018



FILED

11/07/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Carolyn Sue Keaton	01-01-16 to 12-31-19
President of the Town Council	David L. Benefiel Lawrence Tracy	01-01-17 to 12-31-18 01-01-19 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF MORRISTOWN, SHELBY COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Morristown (Town), for the period from January 1, 2017 to December 31, 2018. 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 Statement Audit Report of the Town, which provides our opinion on the Town's financial statement. 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

October 17, 2019

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CLERK-TREASURER
TOWN OF MORRISTOWN

CLERK-TREASURER
TOWN OF MORRISTOWN
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to all areas of the financial statements. The failure to establish these controls could have enabled material misstatements to occur and remain undetected.

Cash and Investments

Segregation of duties over the Town and Town Utilities' bank reconciliation process was not evident. There was no evidence of an oversight, review, or approval process of the bank reconciliations by someone other than the person who prepared them.

Receipts

One employee was responsible for writing the receipts for funds received and preparing the daily deposits for the bank accounts. There were no controls in place, such as oversight, review, or approval of the daily deposits or receipt postings.

Financial Close and Reporting

There was a deficiency in the Town's internal control system over the preparation and submission of the Town's Annual Financial Report (AFR) in the Indiana Gateway for Government Units (Gateway) financial reporting system. The Deputy Clerk-Treasurer enters the financial information for the Town's AFR into Gateway, where it is reviewed by the Clerk-Treasurer; however, evidence was not presented for audit to document the review performed by another employee.

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. . . ."

CLERK-TREASURER
TOWN OF MORRISTOWN
EXIT CONFERENCE

The contents of this report were discussed on October 17, 2019, with Lawrence Tracy, President of the Town Council; Carolyn Sue Keaton, Clerk-Treasurer; and Donald Roberts, Deputy Clerk-Treasurer.

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TOWN COUNCIL
TOWN OF MORRISTOWN

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