

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MONTEZUMA

PARKE COUNTY, INDIANA

January 1, 2015 to December 31, 2018



FILED
11/20/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cathy L. Morgan	01-01-12 to 12-31-19
President of the Town Council	G. Allen Cobb John Norris	01-01-15 to 12-31-16 01-01-17 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF MONTEZUMA, PARKE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Montezuma (Town), for the period from January 1, 2015 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 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

October 17, 2019

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CLERK-TREASURER
TOWN OF MONTEZUMA

CLERK-TREASURER
TOWN OF MONTEZUMA
AUDIT RESULTS AND COMMENTS

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 cash and investments and financial close and reporting. The failure to establish these controls could have enabled material misstatements to occur and remain undetected.

Cash and Investments

Reconcilements of the bank and ledger activity were completed by the Deputy Clerk-Treasurer, and reviewed by the Clerk-Treasurer, during the audit period. However, there was no audit evidence that reconcilements for 2015 and 2016 were reviewed.

Financial Close and Reporting

One individual entered the Town's financial information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source for the Annual Financial Report (AFR) and financial statements. The Town had not implemented a system of oversight, review, or approval process.

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 MONTEZUMA
AUDIT RESULTS AND COMMENTS
(Continued)

OVERDRAWN CASH BALANCES

Condition and Context

The financial statements presented for audit included the Sewer Operating fund with overdrawn cash balances of \$19,935, \$14,851, and \$62,068, as of December 31, 2015, 2016, and 2017, respectively.

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Town certified on their AFR in Gateway that all personnel defined by Indiana Code 5-11-1-27(c) had received training concerning the internal control standards adopted by the Town; however, during the engagement, the Clerk-Treasurer indicated that not all personnel had received training concerning the internal control standards.

Context

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 MONTEZUMA
EXIT CONFERENCE

The contents of this report were discussed on October 17, 2019, with Cathy L. Morgan, Clerk-Treasurer; Robert Stewart, Town Council member; and John Norris, President of the Town Council.

TOWN COUNCIL
TOWN OF MONTEZUMA

TOWN COUNCIL
TOWN OF MONTEZUMA
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

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TOWN COUNCIL
TOWN OF MONTEZUMA
AUDIT RESULTS AND COMMENTS
(Continued)

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TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

Town employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the Town, had not received training over internal control standards that were developed or approved by the Indiana State Board of Accounts.

Criteria

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

"After June 30, 2016, 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 MONTEZUMA
EXIT CONFERENCE

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