

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MONTEREY

PULASKI COUNTY, INDIANA

January 1, 2016 to December 31, 2018



FILED
12/23/2019

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|-----------------------------------|--|
| Clerk-Treasurer | Linda S. McCune | 01-01-16 to 12-31-19 |
| President of the Town Council | Emily Bailey Douglas A. Denton | 01-01-16 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 MONTEREY, PULASKI COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Monterey (Town), for the period from January 1, 2016 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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, was not verified for accuracy.

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

November 21, 2019

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CLERK-TREASURER
TOWN OF MONTEREY

CLERK-TREASURER
TOWN OF MONTEREY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

Condition and Context

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

The Town did not have controls in place to ensure that bank reconciliations were accurately prepared. There was no oversight, review, or approval process to ensure the accuracy of the reconciliations.

Receipts and Disbursements

The Town did not have controls in place to ensure accurate recording and reporting of receipts and disbursements. The Clerk-Treasurer was solely responsible for the receipting and disbursement process without any oversight, review, or approval process.

Financial Reporting

The Clerk-Treasurer entered financial information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which is the source of the Annual Financial Report and financial statements. There was no documented evidence of an oversight, review, or approval process by someone other than the Clerk-Treasurer prior to submitting the financial information into Gateway.

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. . . ."

CLERK-TREASURER
TOWN OF MONTEREY
EXIT CONFERENCE

The contents of this report were discussed on November 21, 2019, with Linda S. McCune, Clerk-Treasurer, and Douglas A. Denton, President of the Town Council.