

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MONROEVILLE

ALLEN COUNTY, INDIANA

January 1, 2017 to December 31, 2018



**FILED**

04/09/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kevin Wenger	01-01-16 to 12-31-23
President of the Town Council	Donald Gerardot	01-01-17 to 12-31-20
Utility Office Manager	Larry Oberley	01-01-17 to 12-31-20



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF MONROEVILLE, ALLEN COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Monroeville (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 opinions on the Town's financial statement. This report may be found at [www.in.gov/sboa/](http://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

March 25, 2020

CLERK-TREASURER  
TOWN OF MONROEVILLE  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

A similar comment also appeared in prior Report B48622.

*Condition and Context*

Control activities should be selected and developed at various levels to reduce risks of error and/or fraud of the financial statement. The Town did not separate incompatible activities related to all areas of the financial statement. The failure to properly design and implement these controls enabled material misstatements to remain undetected.

*Receipts*

One person was responsible for collecting, issuing, depositing, and posting receipts without any oversight, review, or approval process in place.

*Financial Close and Reporting*

The Annual Financial Report (AFR) contained a number of material errors. Receipts were understated by \$420,020 and \$532,203 for 2017 and 2018, respectively. Disbursements were understated by \$427,916 and \$529,492 for 2017 and 2018, respectively. Other personnel had reviewed the AFR; however, the review was ineffective in preventing or detecting and correcting material errors on the AFR. Audit adjustments were proposed, accepted by the Town, and made to the AFR.

*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. . . ."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

**CONDITION OF RECORDS**

*Condition and Context*

The Town recorded the State Revolving Fund (SRF) loan activity in the Annual Financial Report (AFR) directly from the bank accounts because the amounts were not included in the Town's ledger. The SRF funds must be included in the Town's ledger.

Additionally, a utility customer clearing account was not recorded in the ledger or on the AFR, and a monthly bank reconciliation was not performed. The bank collects utility payments on the Town's behalf and deposits the money into this account. The funds are not recorded on the ledger until the Clerk-Treasurer takes the prior month's collections and transfers them to the designated funds.

*Criteria*

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**CREDIT CARDS**

The same comment also appeared in prior Report B48622.

*Condition and Context*

The Town was paying credit cards based upon a statement or a credit card slip only. Paid receipts were not available for all credit card purchases during 2017 and 2018.

*Criteria*

The SBOA will not take exception to the use of credit cards by a unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance/resolution, which has been approved in a meeting and documented in the minutes.
2. Issuance and use should be handled by an official or employee designated by the governing body.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.

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

6. Credit cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee may be the personal obligation of the responsible officer or employee.
8. If authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

### **CERTIFICATION AND TRAINING ON INTERNAL CONTROL STANDARDS**

#### *Condition and Context*

The Clerk-Treasurer certified on the Annual Financial Report that training on internal controls standards was provided; however, the Clerk-Treasurer was unable to provide the signed internal control training certifications for required personnel. Therefore, we could not verify that the legislative body ensured that personnel had received training.

#### *Criteria*

Indiana Code 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."

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 MONROEVILLE  
EXIT CONFERENCE

The contents of this report were discussed on March 25, 2020, with Kevin Wenger, Clerk-Treasurer, and Donald Gerardot, President of the Town Council.