

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MONROE

ADAMS COUNTY, INDIANA

January 1, 2018 to December 31, 2018



**FILED**  
04/22/2020



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SCHEDULE OF OFFICIALS

| <u>Office</u>                    | <u>Official</u>   | <u>Term</u>          |
|----------------------------------|-------------------|----------------------|
| Clerk-Treasurer                  | Rachel E. Tague   | 01-01-17 to 12-31-23 |
| President of the<br>Town Council | Debra S. Giessler | 01-01-18 to 12-31-20 |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF MONROE, ADAMS COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Monroe (Town), for the period from January 1, 2018 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 19, 2020

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TOWN COUNCIL  
TOWN OF MONROE

TOWN COUNCIL  
TOWN OF MONROE  
AUDIT RESULTS AND COMMENTS

***ADOPTION OF AND TRAINING ON INTERNAL CONTROL STANDARDS***

*Condition and Context*

A similar comment appeared in prior Report B52763, entitled *ADOPTION OF AND TRAINING ON INTERNAL CONTROL STANDARDS*.

The internal control standards were not adopted by the Town as of March 19, 2020. They also had not required the necessary training of their personnel concerning the internal control procedures.

*Criteria*

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

***TRAVEL POLICY***

*Condition and Context*

A similar comment appeared in prior Report B52763, entitled *TRAVEL POLICY*.

The Town had not adopted a written travel policy; however, Town employees were reimbursed for travel related expenses during the audit period.

*Criteria*

Each unit must adopt a written travel policy in conformity with applicable laws. Reimbursement for lodging and meals must be based upon actual receipts for amounts paid unless otherwise authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN COUNCIL  
TOWN OF MONROE  
EXIT CONFERENCE

The contents of this report were discussed on March 19, 2020, with Rachel E. Tague, Clerk-Treasurer; Debra S. Giessler, President of the Town Council; and Stacy K. Somers, Town Attorney.

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CLERK-TREASURER  
TOWN OF MONROE

CLERK-TREASURER  
TOWN OF MONROE  
AUDIT RESULTS AND COMMENTS

**SUPPORTING DOCUMENTATION**

*Condition and Context*

A similar comment appeared in prior Report B52763, entitled *ERRORS ON CLAIMS*.

A sample of claims identified the following deficiencies: Two claims did not have adequate supporting documentation totaling \$2,399.

*Criteria*

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)

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

*Condition and Context*

A similar comment appeared in prior Report B52763, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

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

Cash and Investments: The Clerk-Treasurer was solely responsible for performing monthly bank reconciliements. There was no documentation of an adequate control in place, such as oversight, review, or timely approval. Such controls would prevent or detect errors in a timely manner.

Financial Close and Reporting: The Clerk-Treasurer prepared and submitted financial information in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source for the Annual Financial Report (AFR) and financial statements. There were no adequate controls in place, such as oversight, review, or approval process to ensure that the information submitted was accurate and timely.

The failure to establish these controls could enable material misstatements to go undetected.

*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:

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

"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. . . ."

**BANK ACCOUNT RECONCILIATIONS**

*Condition and Context*

A similar comment appeared in prior Report B52763, entitled *BANK ACCOUNT RECONCILIATIONS*.

Bank account reconciliations were not properly performed during the audit period. Only 3 of the 12 reconciliations were presented for audit. The bank account reconciliations presented did not always document the proper outstanding checks, deposits in transit, or other reconciling items.

*Criteria*

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

**OVERDRAWN CASH BALANCES**

*Condition and Context*

A similar comment appeared in prior Report B52763, entitled *OVERDRAWN CASH BALANCES*.

The financial statement presented for audit contained the following overdrawn fund balances:

| Fund Name                            | Amount<br>Overdrawn<br>at 12-31-18 |
|--------------------------------------|------------------------------------|
| Water Utility Operating              | \$ 25,004                          |
| Wastewater Utility Bond and Interest | 16,092                             |

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

*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)

**CAPITAL ASSETS**

*Condition and Context*

A similar comment appeared in prior Report B52763, entitled *CAPITAL ASSETS*.

The Town had not properly maintained a complete detailed listing of capital assets owned.

*Criteria*

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**ORDINANCES AND RESOLUTIONS**

*Condition and Context*

A similar comment appeared in prior Report B52763, entitled *ORDINANCES AND RESOLUTIONS*.

The Town had an ordinance establishing utility rates; however, the Town did not comply with its existing ordinance. During a review of 40 monthly utility customer billings, 7 instances were noted where the billing per the Consumption Report (calculated billing) did not agree with the actual billing to the customer. The variances ranged from \$20.24 under-billed for a Wastewater only customer, to \$8.49 over-billed for a Water and Wastewater customer.

*Criteria*

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**ANNUAL FINANCIAL REPORT**

*Condition and Context*

The Annual Financial Report submitted using the Gateway was not filed electronically until July 24, 2019, which was 145 days past the due date and had the following errors during the audit period:

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

The supplementary information submitted for the Schedule of Leases and Debt as of December 31, 2018, was omitted. The Schedule of Leases and Debt should include all of the various long-term debt issues of the Town.

The supplementary information submitted for the Schedule of Capital Assets as of December 31, 2018, could not be verified. The Schedule of Capital Assets should include all the assets of the Town and have supporting documentation.

*Criteria*

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](#)."

**OVERPAYMENT COLLECTIONS**

*Condition and Context*

The Town paid February 2018 sales tax (Water Utility collections) and WH-1 payroll withholdings tax (including penalties) to the Indiana Department of Revenue twice. The Town paid the proposed assessed taxes and penalties as well as the billed (actual) tax and penalties. The amount of proposed sales tax was \$800 and the amount of proposed WH-1 tax was \$900. Both amounts should be refunded to the Town.

*Criteria*

Units must collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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Stacy K. Somers  
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DuWayne W. Herman

March 31, 2020

Indiana State Board of Accounts  
**Attn.: Mr. Paul D. Joyce, C.P.A.**  
**State Examiner**  
302 West Washington Street, Rm. E418  
Indianapolis, Indiana 46204-2769

**VIA E-mail:** [ldavid@sboa.in.gov](mailto:ldavid@sboa.in.gov) **with hard copy to follow via U.S. Postal Mail**

RE: Town of Monroe (Adams County) – 2018 Audit

This letter is to serve as the ten (10) day response letter from the Town Board of the Town of Monroe (“Town”) to the State Board of Accounts (“SBOA”) concerning the exit interview with the Town for the 2018 Audit. The Town has made improvements to its accounting practices following the 2015, 2016 and 2017 Audit, which was completed in March of 2019. The findings made by the SBOA Audit for 2015, 2016 and 2017 were similar to those findings in the 2018 Audit, which is primarily due to a lack of time to address those issues in 2018. The Town takes the findings by the SBOA seriously and has made improvements to its accounting operations to correct the deficiencies identified in both audits. The Town will continue making these improvements. However, the findings in the 2015, 2016 and 2017 Audit could not have been adopted by the Town of Monroe in 2018 as that year had already concluded. Consequently, the Town does not feel that the findings of the 2018 (as outlined below) Audit are equitable to the Town Clerk-Treasurer in light of the timing in relation to the 2015, 2016 and 2017 Audit; those changes could not have been incorporated in 2018.

As for the “Audit Results and Comments”, the Town Board and the Town Clerk-Treasurer have requested that I respond to the Penalties, Interest and Other Charges that are also included in the “Summary of Charges”. These two sections of the Audit Results and Comments recommends that the Town Clerk-Treasurer (both former and current) reimburse the Town for Penalties and Interest that accrued during 2018 due to untimely filing of required state and federal of (i) quarterly filings to the Internal Revenue Service; (ii) remittance to the Indiana Department of Revenue for Water Utility charges; and, (iii) a late fee to a vendor for Waste Water Utility. These findings request a total of Four Thousand One Hundred Forty-Five and 46/100 Dollars (\$4,145.46) be reimbursed to the Town by the individual persons who served as the Town Clerk-Treasurer. These fees accrued due to a lack of training and familiarity with the procedures required and are not due to “Malfeasance, Misfeasance, on Nonfeasance”, as labeled in the “Summary of Charges”.

Indiana Code provides, in part, “If an examination discloses malfeasance, misfeasance, or nonfeasance in office or of any officer or employee, a copy of the report, signed and verified, shall be placed by the state examiner with the attorney general and inspector general.” (See Ind. Code § 5-11-5-1(a)). The Town maintains that the findings of the examiner did not reveal malfeasance or

even misfeasance. Further, the statute provides that “If the examination discloses malfeasance, or misfeasance, or nonfeasance in an office or of any officer or employee, a copy of the report, signed and verified, shall be placed by the state examiner . . .” (Emphasis added). The Town maintains that labeling the Summary of Charges with the terms malfeasance and misfeasance color the findings of the SBOA with criminal intent. Further, there are no findings in the report that substantiate these terms being used in the report. From a textual reading of the statute, it appears that the SBOA examiner has discretion to report whether there was malfeasance or misfeasance. Consequently, we are respectfully requesting that these two terms be stricken from the “Summary of Charges”, since this report will be published, the Town feels the two terms are misleading to the public.

As for the reimbursement, the Town respectfully requests that the SBOA waive that reimbursement request. Any errors made by the Town Clerk-Treasurer are not supported by any allegations of malfeasance or misfeasance. Consequently, the “requested” reimbursement appears to be punitive in nature and unequitable under the findings and circumstances. Further, imposing requests for reimbursement against the Town Clerk-Treasurer may frustrate the Town’s ability to attract and retain qualified persons from seeking and filling this office. For the foregoing reasons, the Town respectfully requests that the SBOA waive the requested reimbursements from the Town Clerk-Treasurer (both former and current). Should you or any of your staff have any questions or comments, please do not hesitate to contact me at (260) 724-2154 or via e-mail at [ssomers@mbbattorneys.com](mailto:ssomers@mbbattorneys.com).

Sincerely,

MILLER, BURRY & BROWN, P.C.



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REPORT CROSS REFERENCE FOR OFFICIAL RESPONSE

The Official Response included above incorporates a response to a penalties and interest comment that is included in Report B55007 filed on April 22, 2020.

CLERK-TREASURER  
TOWN OF MONROE  
EXIT CONFERENCE

The contents of this report were discussed on March 19, 2020, with Rachel E. Tague, Clerk-Treasurer; Debra S. Giessler, President of the Town Council; and Stacy K. Somers, Town Attorney.