

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MONON

WHITE COUNTY, INDIANA

January 1, 2017 to December 31, 2019



FILED
05/12/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Timothy L. Brown	01-01-16 to 12-31-23
President of the Town Council	Rosemary Cooley	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 MONON, WHITE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Monon (Town), for the period from January 1, 2017 to December 31, 2019. 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 opinions 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 Results and Comments, incorporated within this reports, was not verified for accuracy.

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

May 7, 2020

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CLERK-TREASURER
TOWN OF MONON

CLERK-TREASURER
TOWN OF MONON
AUDIT RESULTS AND COMMENTS

MOTOR VEHICLE HIGHWAY RESTRICTED FUNDS

Condition and Context

Effective January 1, 2019, State Examiner Directive 2018-02 established that 50 percent of State Motor Vehicle Highway distributions shall be maintained in a Motor Vehicle Highway Restricted fund to be allocated for construction, reconstruction, and preservation of the Town's highways.

The Town established the Motor Vehicle Highway Restricted fund (MVH - Restricted), but had not allocated 50 percent of the Motor Vehicle Highway distributions into the restricted fund. The amount recorded on the financial statements is from a Community Crossing Grant and a transfer from Motor Vehicle Highway fund to pay claims for street paving.

Criteria

The purpose of this Directive is to authorize and require . . . cities, and towns that receive distributions from the State Motor Vehicle Highway Account to create a new sub-fund within the MVH Fund to properly manage and account for the usage restrictions that were included in the House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018. (State Examiner Directive 2018-2)

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted. (State Examiner Directive 2018-2)

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 payroll disbursements. The Clerk-Treasurer independently prepared the payroll, and recorded and reported payroll disbursements without a system of oversight or review. The failure to establish these controls could enable material misstatements to occur and remain undetected.

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

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. . . ."

FUND SOURCES AND USES

Condition and Context

The Town received \$196,286 for the Community Crossing Grant, which was recorded in the MVH - Restricted fund instead of recorded in a grant fund. The MVH - Restricted fund was specifically for 50 percent of the Motor Vehicle Highway funds received from the state.

Criteria

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF MONON
EXIT CONFERENCE

The contents of this report were discussed on May 7, 2020, with Timothy L. Brown, Clerk-Treasurer, and Rosemary Cooley, President of the Town Council.