

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, 2019 to December 31, 2020



FILED
01/20/2022

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Annual Financial Report.....	6
Supporting Documentation	6-7
Internal Controls over Financial Transactions and Reporting.....	7-8
Bank Account Reconciliations.....	8
Overdrawn Cash Balances	8-9
Capital Assets	9
Ordinances and Resolutions.....	9-10
Disbursements	10
Contracts	10
Claim Approval.....	11
Debit Cards	11-12
Receipts	12
Monthly and Annual Gateway Uploads.....	12-14
Motor Vehicle Highway (MVH) - Restricted Fund	14
Exit Conference	15
Town Council:	
Audit Result and Comment:	
Debit Cards	18
Exit Conference	19

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rachel E. Tague	01-01-19 to 12-31-22
President of the Town Council	Debra S. Giessler	01-01-19 to 12-31-22



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, 2019 to December 31, 2020. 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/.

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

January 11, 2022

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CLERK-TREASURER
TOWN OF MONROE

CLERK-TREASURER
TOWN OF MONROE
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

A similar comment appeared in prior Report B55008, entitled *ANNUAL FINANCIAL REPORT*.

Condition and Context

The Town took out multiple State Revolving Fund loans and Bond Anticipation Notes (BANS) for the purpose of updating the utility systems. The contracted vendors were paid directly by the Bank of New York from the loan accounts. The Town did not record the financial activity for the loan accounts in its records in 2020.

The Town also did not report the financial activity in the Indiana Gateway for Government Units financial reporting system, which is the source of the Annual Financial Report (AFR) and financial statement. As a result, receipts were understated by \$2,925,385, disbursements were understated by \$2,117,530, and the cash and investments ending balances were understated by \$807,855 for 2020 in the AFR and financial statement.

Audit adjustments were proposed, accepted by the Town, and made to the AFR and financial statement.

The supplementary information submitted for the Schedule of Leases and Debt, as of December 31, 2020, contained errors. The Schedule of Leases and Debt should have included all the various debt issues of the Town.

The supplementary information submitted for the Schedule of Capital Assets as of December 31, 2020, could not be verified. The Schedule of Capital Assets should have included all the assets of the Town and supporting documentation should have been maintained. The Town did not maintain a complete detailed listing of capital assets owned.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity 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](#)."

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)

SUPPORTING DOCUMENTATION

A similar comment appeared in prior Report B52763, entitled *ERRORS ON CLAIMS*, and Report B55008, entitled *SUPPORTING DOCUMENTATION*.

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

Condition and Context

Disbursements

A sample of disbursements identified the following deficiencies: nine claims, totaling \$106,500, did not have adequate supporting documentation.

Debt

There was a lack of documentation for the Bond Anticipation Notes (BANS) to support the detailed payoff information for the 2017 Sewage Works BAN of \$575,000.

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

A similar comment appeared in prior Reports B52763 and B55008, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

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

Cash and Investments

A third-party vendor performs the bank reconcilements for the Town; however, there was no indication of an adequate internal control in place, such as oversight, review, or timely approval, of the reconcilements by the Town.

Financial Close and Reporting

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

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

A similar comment appeared in prior Reports B52763 and B55008, entitled *BANK ACCOUNT RECONCILIATIONS*.

Condition and Context

Bank account reconciliations for December 31, 2019, and December 31, 2020, contained multiple reconciling items and adjustments that were difficult to verify. The 2019 record balance exceeded the reconciled bank balance by a net amount of \$147,742 (receipts of \$146,698, disbursements of \$8,409, and \$9,453 unidentified). The majority of the adjustments were not made until 2020.

The 2020 record balance exceeded the reconciled bank balance by a net amount of \$704 (receipts of \$5,463 and disbursements of \$6,167). The majority of the adjustments were not made until 2021.

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

A similar comment appeared in prior Reports B52763 and B55008, entitled *OVERDRAWN CASH BALANCES*.

Condition and Context

The financial statement presented in the Financial Statement Audit Report included the following funds with an overdrawn cash balance that was not related to either a reimbursable grant fund or a fund reliant on reimbursable fees.

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

Fund	12-31-19 Amount Overdrawn	12-31-20 Amount Overdrawn
Payroll	\$ 45,352	\$ 43,140
Water Utility Operating	6,962	-
Sewage Utl Bond & Int	16,092	-

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

A similar comment appeared in prior Reports B52763 and B55008, entitled *CAPITAL ASSETS*.

Condition and Context

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

A similar comment appeared in prior Reports B52763 and B55008, entitled *ORDINANCES AND RESOLUTIONS*.

Condition and Context

The following issues were noted concerning payroll transactions:

- The President of the Town Council was paid incorrectly during 2020. The President of the Town Council is entitled to receive an additional \$240; however, she only received \$40 of the additional amount for the year. This resulted in an underpayment of \$200.
- The Utility Superintendent was paid for one week of vacation in 2019 for vacation not taken in 2018; however, the Personnel Policy states that there will be no compensation for vacation not taken.

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

During compliance testing for utility billings, the following items were discovered:

- The Town had ordinances establishing utility rates; however, the Town did not comply with its existing ordinances. During a review of twenty-six customer utility billings, four instances were noted where the billing per the Consumption Report (calculated billing) did not agree with the billing, as required per the ordinance. Some customers with 1" meters were being billed at the 5/8" rate.

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)

DISBURSEMENTS

Condition and Context

During the testing of disbursements, it was noted that two disbursements for road construction expenditures were not recorded in the records timely. The disbursements were recorded one and a half months and four months, respectively, after the check date.

During the testing of disbursements for Water Utility expenditures, it was noted that one disbursement for a sales tax payment and one disbursement for a loan payoff were not recorded in the records timely. The sales tax disbursement was recorded one month after the check date and the loan payoff was recorded nine months after the check date.

Criteria

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)

CONTRACTS

Condition and Context

The Town's fire contract with the Monroe Volunteer Fire Department was created and approved in 2017. The contract had not been renewed or updated since 2017; however, the payments made in 2019 and 2020 exceeded the 2017 contracted amount.

Criteria

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

CLAIM APPROVAL

Condition and Context

Vendor Disbursements

There were numerous claims in 2019 that were paid prior to the Town Council's approval. In December 2019, the Town Council adopted Ordinance 2019-6 that allowed the Clerk-Treasurer to pay claims before the Town Council's approval if they met certain guidelines; however, there were claims that were paid in 2020 that did not meet these guidelines.

Payroll Disbursements

There were three payrolls processed in March 2019 and only one of those payrolls was included on the claims docket for that time period. It could not be verified that the other two payrolls were approved by the Town Council.

Criteria

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . .

(5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

DEBIT CARDS

Condition and Context

The Town was using a debit card for purchases without an adopted ordinance or resolution authorizing debit card use.

Criteria

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

1. The governing board must authorize debit/procurement card use through an ordinance/resolution, which has been approved in a meeting and documented in the minutes.
2. Issuance and use must be handled by an official or employee designated by the governing body.
3. The purposes for which the debit/procurement card may be used must be specifically stated in the ordinance/resolution.

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

4. When the purpose for which the debit/procurement 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.
6. Debit/procurement 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.

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

RECEIPTS

Condition and Context

During the compliance testing of receipts, it was noted that six receipts for utility collections were not recorded timely in the records and some of the collections were not recorded until two months after the date of deposit.

The Town did not record several of its local and state distributions during 2019 and 2020. A total of \$10,024 was not accounted for in the records; however, they were deposited to the Town's bank account, and they were listed as reconciling items on the bank reconcilements. The totals by year are as follows:

2019 Local Distributions:	\$	5,616
2020 Local Distributions:		842
2020 State Distributions:		3,566

Criteria

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

MONTHLY AND ANNUAL GATEWAY UPLOADS

Condition and Context

As of January 11, 2022, the Town had not uploaded any of the required monthly or annual engagement files for 2019 and 2020 into the Indiana Gateway for Government Units financial reporting system.

Criteria

Beginning with July 2018 files, which will be due September 15, 2018, **all** cities, towns, . . . will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. . . .

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

The following files and governmental unit information are required to be uploaded monthly:

- Bank Reconcilements
- Approved board minutes
- Funds Ledger, summarizing total receipts, disbursements, and balances by fund . . .

The following files and governmental unit information are required to be uploaded annually:

- Year-end bank statement
- Year-end outstanding check list
- Year-end investment statements
- Detail of receipts for the year
- Detail of disbursements for the year
- Current year salary ordinance
- Annual employee earnings record
- Annual vendor history report

Annual files are due to be uploaded on Gateway no later than March 1, 2019. Thereafter, annual files must be uploaded no later than March 1 for the prior year end unless the SBOA establishes a different date. (State Examiner Directive 2018-1)

This amended directive is effective starting with December 2020 monthly files. The upload of December 2020 monthly files will be due February 15, 2021, and by the 15th of each month thereafter . . . This is effective for 2020 annual files which will be due for upload March 1, 2021, for calendar year units. . . .

The following files and governmental unit information are required to be uploaded monthly by all units except as noted:

- Bank Reconcilements, Bank Statements, and Outstanding Check Lists
- Approved Board Minutes, please see the user guide for more information and examples
- Funds Ledger, summarizing total receipts, disbursements, and beginning and ending balances by fund . . .

The following files and governmental unit information are required to be uploaded annually . . . :

- Year-end Investment Statements . . .
- Detail of Receipts for the year
- Detail of Disbursements for the year
- Current year Salary Ordinance (or Schedule) and Amendments . . .
- Annual Vendor History Report
- Annual Payroll History Report, without social security numbers
- Annual Funds Ledger, summarizing year-to-date total receipts, year-to-date disbursements, and beginning and ending balances by fund . . .
- Optional: Excel Data Capture/Data Dump (in lieu of Detail of Receipts and Disbursements)

(Amended State Examiner Directive 2018-1)

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

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

The Town created the Motor Vehicle Highway (MVH) - Restricted fund as required. However, the Town did not allocate or record at least 50 percent of the distribution from the State Motor Vehicle Highway Account at the time of the receipt into the MVH- Restricted fund.

Criteria

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)

Indiana Code 8-14-1-5(c) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF MONROE
EXIT CONFERENCE

The contents of this report were discussed on January 11, 2022, with Rachel E. Tague, Clerk-Treasurer; Debra S. Giessler, President of the Town Council; and Joyce Kenney, Deputy Clerk-Treasurer.

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TOWN COUNCIL
TOWN OF MONROE

TOWN COUNCIL
TOWN OF MONROE
AUDIT RESULT AND COMMENT

DEBIT CARDS

Condition and Context

The Town was using a debit card for purchases without an adopted ordinance or resolution authorizing debit card use.

Criteria

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1. The governing board must authorize debit/procurement card use through an ordinance/resolution, which has been approved in a meeting and documented in the minutes.
2. Issuance and use must be handled by an official or employee designated by the governing body.
3. The purposes for which the debit/procurement card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the debit/procurement 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.
6. Debit/procurement 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.

(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 January 11, 2022, with Debra S. Giessler, President of the Town Council.