

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

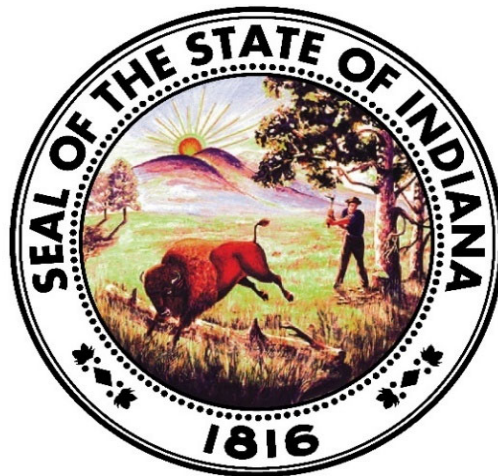
SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF MONTICELLO

WHITE COUNTY, INDIANA

January 1, 2020 to December 31, 2021



FILED
12/27/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	James D. Mann	01-01-20 to 12-31-22
Mayor	Cathy Gross	01-01-20 to 12-31-22
President of the Board of Public Works and Safety	Andy Harmon	01-01-20 to 12-31-22
President Pro Tempore of the Common Council	Doug Pepple Bill Cheever	01-01-20 to 12-31-21 01-01-22 to 12-31-22
Superintendent of Water Utility	Rodney Pool Christopher W. Cohagan	01-01-20 to 03-31-21 04-01-21 to 12-31-22
Superintendent of Wastewater Utility	David A. Downey Robert Lindley	01-01-20 to 07-17-20 07-18-20 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF MONTICELLO, WHITE COUNTY, INDIANA

This report is supplemental to our audit report of the City of Monticello (City), for the period from January 1, 2020 to December 31, 2021. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement Audit Report of the City, which provides our opinions on the City'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.

Beth Kelley, CPA, CFE
Deputy State Examiner

December 7, 2022

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CLERK-TREASURER
CITY OF MONTICELLO

CLERK-TREASURER
CITY OF MONTICELLO
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

There were deficiencies in the internal control system of the City related to financial transactions and reporting. The City had not implemented a system of effective internal control related to financial reporting and cash and investments.

Annual Financial Report

The City had not established effective internal controls over the financial information entered in the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report (AFR) and the financial statement. The AFR contained the following errors:

The Sewage Utility Construction (In Progress) fund understated receipts and disbursements by \$10,287,000 and \$656,247, respectively, in 2020. The receipts and disbursements were overstated by the same amounts in 2021. This was due to the City recording the activity of the fund in the subsequent year to which it occurred.

Audit adjustments were proposed, accepted by the City, and made to the financial statement in the Financial Statement Audit Report.

Cash and Investments

The City had not established effective internal controls over cash and investments. The internal controls in place did not ensure that bank reconciliations were performed on all accounts and reported the correct cash balance, or that the cash and investment balances were reconciled to the City's funds ledger. In 2020, the City failed to include the funds from one bank account that held the Sewage Utility Construction (In Progress) funds until March of 2021.

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
CITY OF MONTICELLO
AUDIT RESULTS AND COMMENTS
(Continued)

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 documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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."

SUPPLEMENTAL SCHEDULES OF THE ANNUAL FINANCIAL REPORT

Condition and Context

The Supplemental Schedules in the Annual Financial Report (AFR), as reported on the Indiana Gateway for Government Units financial reporting system, contained material errors.

The Combining Schedules of Receipts, Disbursements and Cash and Investment Balances - Regulatory Basis were materially misstated due to the errors listed in the Audit Result and Comment above, entitled *Financial Transactions and Reporting*.

The City omitted Water Works Bond Anticipation Notes of 2021 in the amount of \$2,000,000 from the Schedule of Leases and Debt.

Audit adjustments were proposed, accepted by the City, and made to the supplementary schedules in the Financial Statement Audit Report.

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](#)."

CLERK-TREASURER
CITY OF MONTICELLO
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSETS

Condition and Context

The City had not taken a complete physical inventory of capital assets at least every two years.

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)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The City certified on the Indiana Gateway for Government Units financial reporting system that employees were trained on internal control standards. No documentation was provided for all personnel selected for testing to support that employees were trained on internal control standards; therefore, the certification was incorrect.

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](#)."

CLERK-TREASURER
CITY OF MONTICELLO
EXIT CONFERENCE

The contents of this report were discussed on December 7, 2022, with James D. Mann, Clerk-Treasurer; Cathy Gross, Mayor; Ken Houston, Common Council member; Doug Pepple, Common Council member; Andy Harmon, President of the Board of Public Works and Safety; Mary Black, Second Deputy Clerk, and Brenda Elizalde, Utility Clerk.

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COMMON COUNCIL
CITY OF MONTICELLO

COMMON COUNCIL
CITY OF MONTICELLO
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The Common Council did not ensure that all employees were trained for the internal control standards as required by their policy. There was no documentation that employees tested had been trained during the audit period.

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."

COMMON COUNCIL
CITY OF MONTICELLO
EXIT CONFERENCE

The contents of this report were discussed on December 7, 2022, with James D. Mann, Clerk-Treasurer; Cathy Gross, Mayor; Ken Houston, Common Council member; Doug Pepple, Common Council member; Andy Harmon, President of the Board of Public Works and Safety; Mary Black, Second Deputy Clerk, and Brenda Elizalde, Utility Clerk.