

B37147

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

AUDIT REPORT
OF

CODE ENFORCEMENT DEPARTMENT
CITY OF SOUTH BEND
ST. JOSEPH COUNTY, INDIANA

January 1, 2009 to December 31, 2009



FILED
06/23/2010

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CITY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Code Enforcement Director	Catherine Toppel	01-01-09 to 12-31-10
City Controller	M. Catherine Fanello Gregg D. Zientara	03-03-08 to 08-16-09 08-17-09 to 12-31-11
Mayor	Stephen J. Luecke	01-01-08 to 12-31-11
President of the Common Council	Derek D. Dieter	01-01-09 to 12-31-10
President of the Board of Public Works	Gary Gilot	01-01-09 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF CITY OF SOUTH BEND, ST. JOSEPH COUNTY, INDIANA

We have audited the records of the Code Enforcement Department for the period from January 1, 2009 to December 31, 2009, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Annual Report of City of South Bend for the year 2009.

STATE BOARD OF ACCOUNTS

June 7, 2010

CODE ENFORCEMENT DEPARTMENT
CITY OF SOUTH BEND
AUDIT RESULTS AND COMMENTS

CODE ENFORCEMENT COLLECTIONS DEPOSITED

We found numerous instances in which code enforcement receipts were deposited later than the next business day. In our test of December collections we found deposits ranging from two to ten days after the receipt date.

IC 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

CODE ENFORCEMENT COLLECTION PROCEDURES

Controls over the receipting, disbursing, recording, and accounting for the code enforcement department financial activities were insufficient. For example, there is no method of posting payments to the customer's accounts receivable record. A memo entry is made for accounts paid in full, but partial payments are not entered on the customer's account.

Also, in our test of receipts issued to customers, we found some receipts that were voided but the original was not attached which would verify the original was not issued. We also found unused blank receipts, within a series of issued receipts. These unused blank receipts could be issued at a later date unless marked void.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CODE ENFORCEMENT DEPARTMENT
CITY OF SOUTH BEND
EXIT CONFERENCE

The contents of this report were discussed on June 7, 2010, with Stephen J. Luecke, Mayor; Gregg D. Zientara, City Controller; Derek D. Dieter, President of the Common Council; and with Catherine Toppel, Code Enforcement Director. The official response has been made a part of this report and may be found on page 6.

CITY OF SOUTH BEND
AUDIT RESULTS AND COMMENTS,
And City of South Bend Response

CODE ENFORCEMENT COLLECTIONS DEPOSITS

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City of South Bend Response:

The City of South Bend will implement procedures in Code Enforcement to ensure that payment collection receipts will be deposited into the City depository account according to IC 5-13-6-1(d). These procedures will be implemented during fiscal 2010, at the earliest possible time following the date of this response.

CODE ENFORCEMENT COLLECTION PROCEDURES

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City of South Bend Response:

The City of South Bend recognizes certain lack of controls presently exist concerning Code Enforcement receipting, disbursing, recording, and accounting of transactions in the operation, as determined by this audit.

The City previously recognized the control deficiency from internal reviews performed in late 2009 and early 2010. As such, the City has determined that process and procedural changes are necessary to eliminate this internal control deficiency throughout City operations.

As such, the City is in the process of investigation and evaluation of alternative business processes and procedures in the handling of payment receipts within the non-business operations of the City. The City intention is to determine the corrective course of action and to implement such during fiscal 2010, thus eliminating the control deficiency.