

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

EXAMINATION REPORT  
OF  
CITY OF SOUTHPORT  
MARION COUNTY, INDIANA  
January 1, 2009 to December 31, 2009



**FILED**  
12/08/2010



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Catherine E. Hildebrand	08-18-08 to 12-31-11
Mayor	Honorable Robin Thoman, DDS	01-01-08 to 12-31-11
President of the City Council	Helena Rose Harrison Susie Schmoll	01-01-09 to 12-31-09 01-01-10 to 12-31-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF SOUTHPORT, MARION COUNTY, INDIANA

We have examined the financial information presented for the City of Southport (City), for the period of January 1, 2009 to December 31, 2009. The City's management is responsible for the financial information.

The financial records presented for examination for the year ended December 31, 2009, were incomplete and not reflective of the activity of the City's funds. The records presented did not provide sufficient information to establish receipts, disbursements, ending balances, or the accuracy or correctness of the transactions due to the failure to post or correctly post all transactions. Accordingly, the financial information for the year ended December 31, 2009, is not presented. As a result, the validity and accountability of cash and investments as of December 31, 2009, could not be established. However, we did examine available records to the extent possible for compliance with State statutes and with the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns published by the State Board of Accounts. The results of this examination are stated in the Examination Results and Comments.

Because the City was not able to provide corroborating evidence in support of the financial information, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether the financial information referred to above presents fairly, in all material respects, the cash transactions of the City of Southport for the year ended December 31, 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

September 27, 2010

CITY OF SOUTHPORT  
EXAMINATION RESULTS AND COMMENTS

FINANCIAL REPORT OPINION MODIFICATION

The financial statement (Annual Report) for the year 2009 was not presented for examination and was not filed or published. The financial record information presented for examination contained inconsistencies and inaccuracies and it was not possible to provide a summary of the 2009 transactions and balances of the City's funds. Therefore, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Auditors' Report for the financial statement. A similar comment appeared in prior Report B35860.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

IC 5-3-1-3(a) states, in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

BANK RECONCILIATIONS

Record balances were not reconciled to depository balances from July to December 2009. No monthly reconciliations were presented for 2010. A consulting firm prepared reconciliations from January to June 2009. The December 31, 2008, reconciliation was prepared by the consulting firm, but failed to include at least three outstanding checks totaling \$1,053.00. We could not confirm the status of two other checks totaling \$2,200.00. A similar comment appeared in prior Report B35860.

IC 5-13-6-1(e) states in part: "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."

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping that were cited in the prior examination report, were again present during our period of examination:

- (1) There were a considerable number of posting errors. These errors included deposits not receipted, checks and receipts not recorded in the proper amounts, interest not posted, checks not posted, and nonsufficient funds checks incorrectly posted. Some of these errors were identified by the consulting firm in July 2009, but had not been corrected during 2009.
- (2) Significant posting errors were noted from the payroll process. The errors appeared to be system errors, causing the withholding amounts to be posted twice. This has caused expenditures to be overstated and the fund balances to be understated in the funds with payroll disbursements. The City changed software in March of 2009 and this error has occurred throughout much of the year. The amount of error for the month of December was approximately \$1,200.

CITY OF SOUTHPORT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (3) Records were not maintained in an organized manner. Many records were mixed together in files by month. Reports and documents were not filed together, including fund reports, bank statements, accounts payable vouchers, receipts, register of claims, deposit register, payroll registers, check registers, time cards, etc.
- (4) The deposit register was prepared by the Clerk-Treasurer, but receipts were not written or issued. Also, receipts were not issued to the persons paying for hand gun permits, park rental payments, or other such collections.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ERRORS ON CLAIMS

As similarly stated in prior Report B35860, the following deficiencies were noted on claims during the 2009 examination period:

1. Claims were not prepared for all disbursements. In the second half of 2009, several checks were issued without an Accounts Payable Voucher being prepared.
2. Some of the Accounts Payable Voucher Registers were not presented for examination.
3. Claims were not individually signed by the board members and Clerk-Treasurer. An Accounts Payable Voucher Register was utilized for the officials to sign and give their approval of the disbursements. We noted instances when the Accounts Payable Voucher Register was unsigned. Some Registers presented were not signed by the Board members or the Clerk-Treasurer. Some were signed by the Clerk-Treasurer only. Because the Registers were not signed there is no evidence of approval.
4. Of the claims tested we noted two payments which did not have invoices to itemize and support the goods or services being received.

IC 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:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and

CITY OF SOUTHPORT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (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."

ERRORS ON W-2S

Errors were made in reporting wages to the Internal Revenue Service (IRS). The gross earnings for most of the Council members, Mayor and Clerk-Treasurer were incorrectly reported for 2009 on the Forms W-2. Amounts authorized by the salary ordinance were properly paid, with one exception noted in the next paragraph. A similar comment appeared in prior Report B35860.

In addition to the errors mentioned previously, the Mayor's Form W-2 did not properly reflect the gross wages in box 1 - Wages, tips, and other compensation. The Mayor chose to donate his net pay to the United Way, but some withholdings were deducted from his gross payroll earnings. Payroll checks were not issued to the Mayor, but to the United Way. The Form W-2 reported total compensation in the amount of \$1,611.80 and social security wages in the amount of \$7,821.00. All compensation earned by the Mayor should have been reported in box 1.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Clerk-Treasurer did not issue Form 1099-MISC for all vendors. There were 23 vendors who received the Form 1099- MISC. We also noted that two vendors providing professional services were not issued a 1099-MISC by the City. We traced several amounts reported on the Form 1099-MISC to the general ledger report without any exceptions. Since the forms were not issued to all vendors, the City did not fully comply with directives of the Internal Revenue Service concerning filing Form 1099-MISC and the Federal Form 1096, Annual Summary and Transmission of US Information Returns. Total amounts reported for 2009 were \$317,293.82 and the payments to the two vendors who did not receive the Form 1099-MISC totaled \$48,578.66.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

IC 5-15-6-3(f) concerning destruction of public records states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for audit 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 7)

CITY OF SOUTHPORT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

FINANCING AND INTEREST CHARGES

As stated in prior Report B35860, some amounts paid to vendors and other suppliers of goods and services were paid late and there were payments of penalty and interest. We examined 18 payments made in December. There were three payments which were paid late and included \$20.89 in financing and interest charges.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PUBLIC RECORDS RETENTION

Some records were not available for examination. Cancelled checks or optical imaged checks were not presented for examination for January and February 2009. The 3rd and 4th Quarter reports of the Form 941, Employer's Quarterly Federal Tax Return could not be located and were not presented for examination. A similar comment appeared in prior Report B35860.

IC 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for audit 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 7)

PRESCRIBED FORMS

The following prescribed or approved forms were not always in use:

Payroll Schedule and Voucher (General Form 99)  
Employee's Earnings Record (General Form 99B)  
Accounts Payable Voucher (City and Town Form 39)  
Clerk-Treasurer's Receipt (City and Towns Form 217)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF SOUTHPORT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

CERTIFIED REPORT NOT FILED

The City did not file a certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for the year 2009. A similar comment appeared in prior Report B35860.

IC 5-11-13-1 states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

OFFICIAL BOND

As previously stated in Report B35860, the Clerk-Treasurer's official bond was not filed in the Office of the County Recorder and the coverage was not in compliance with statutory requirements. The coverage provided by the bond was in the amount of \$25,000 and states the period covered is January 1, 2009, until successor duly qualified.

IC 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

Public Law 176, House Enrolled Act 1514, effective July 1, 2009, raised the minimum amount of the official bonds for city controllers, city and town clerk-treasurers, and Barrett Law Fund custodians from \$15,000 to \$30,000.

The amount of annual coverage must equal \$30,000 for each million dollars of receipts of the officer's office during the last complete fiscal year before the purchase of the bond.

The amount of annual coverage may not be less than \$30,000 nor more than \$300,000, unless the fiscal body approves a greater amount of coverage. The amount of annual coverage of the bonds of city judges and city clerks and other city and town persons required to file an individual bond shall be fixed by the fiscal body at not less than \$15,000. (IC 5-4-1-18) (Cities and Towns Bulletin and Uniform Compliance Guidelines, June, 2009)

CITY OF SOUTHPORT  
EXIT CONFERENCE

The contents of this report were discussed on September 27, 2010, with Catherine E. Hildebrand, Clerk-Treasurer; Honorable Robin Thoman, D.D.S, Mayor; and Susie Schmoll, President of the City Council.