

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

EXAMINATION REPORT
OF
CITY OF BRAZIL
CLAY COUNTY, INDIANA
January 1, 2009 to December 31, 2009



FILED
02/10/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Mayor	A. Ann Bradshaw	01-01-08 to 12-31-11
Clerk-Treasurer	Karen McQueen	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	A. Ann Bradshaw	01-01-09 to 12-31-10
President of the Common Council	Patricia Heffner Steve Lamb	01-01-09 to 12-31-09 01-01-10 to 12-31-10
Superintendent of the Water Utility	Jacob Raubach	01-01-09 to 12-31-10
Co-Superintendents of the Wastewater Utility	Jerry D. Robison Terry L. Robison	01-01-09 to 12-31-10 01-01-09 to 12-31-10
Utilities Office Manager	Sheryl J. Hill	01-01-09 to 12-31-10



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF BRAZIL, CLAY COUNTY, INDIANA

We have examined the financial information presented herein of the City of Brazil (City), for the period of January 1, 2009 to December 31, 2009. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City 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.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

December 15, 2010

CITY OF BRAZIL
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ (231,290)	\$ 2,398,995	\$ 2,576,798	\$ (409,093)
Motor Vehicle Highway	132,246	262,003	329,885	64,364
Local Road and Street	18,991	30,540	32,404	17,127
Park and Recreation	16,392	220,965	237,449	(92)
Cemetery	75,638	29,383	57,019	48,002
Rainy Day	121,725	-	-	121,725
General Obligation Bond	64,604	155,293	95,645	124,252
GO/SD Bonds 2008	-	1,053,405	987,000	66,405
Redevelopment District Bond	110,336	73,897	76,408	107,825
Park and Recreation Nonreverting	8,775	9,848	6,712	11,911
Cemetery Nonreverting	25,496	-	-	25,496
Police Bike	19	-	-	19
Economic Development	22,039	-	-	22,039
Emergency Response Team	(2,306)	-	-	(2,306)
Community Development	150	-	-	150
Police Education	13,553	10,967	5,073	19,447
Police Grant	19,133	-	490	18,643
Police Deferral	22,079	35,973	24,727	33,325
Unsafe Buildings	11,053	710	411	11,352
Golf Course	21,506	306,009	317,245	10,270
Law Enforcement	2,967	2,621	1,057	4,531
Police Safety	4,846	1,187	-	6,033
Fire Education	160	-	-	160
Fire Special	16,679	13,500	-	30,179
Public Works Loan	(57,222)	73,947	111,334	(94,609)
Cumulative Capital Improvement	(68,563)	47,201	-	(21,362)
Cumulative Capital Development	232,502	46,758	3,302	275,958
Sidewalk Maintenance/Improvement	1,219	-	-	1,219
Sidewalk Capital Projects	13,998	-	-	13,998
Cumulative Drainage	53	-	473	(420)
Sanitation	266,394	293,303	386,419	173,278
NPS Grant	-	46,675	46,675	-
K-9	976	2,470	377	3,069
Shop With a Cop	637	7,967	8,500	104
Health Reimbursement	13,541	60,121	61,602	12,060
Proprietary Funds:				
Water Utility - Operating	(163,475)	1,890,981	1,642,176	85,330
Water Utility - Debt Service Reserve	105,000	-	104,989	11
Water Utility - Customer Deposit	225,876	56,604	42,957	239,523
Water Utility - Improvement	15,448	-	15,448	-
Water Utility - Construction	-	496,000	414,672	81,328
Wastewater Utility - Operating	163,458	2,036,056	2,454,355	(254,841)
Wastewater Utility - Bond and Interest	-	1,161,357	995,584	165,773
Wastewater Utility - Debt Service Reserve	1,405,507	32,439	432,946	1,005,000
Wastewater Utility - Operating Interest	22,485	93	-	22,578
Due to Sanitation	49,489	9,599	-	59,088
Fiduciary Funds:				
Police Officers' Pension	7,289	72,045	54,171	25,163
Firefighters' Pension	195,902	286,784	170,641	312,045
Health Claim Account	3,637	-	2,932	705
Payroll	(39,978)	3,356,704	3,413,089	(96,363)
Totals	\$ 2,868,964	\$ 14,582,400	\$ 15,110,965	\$ 2,340,399

The accompanying notes are an integral part of the financial information.

CITY OF BRAZIL
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF BRAZIL
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Restatements

For the year ended December 31, certain changes have been made to the financial statements to more appropriately reflect financial activity of the City. The following schedule presents a summary of restated beginning balances by fund.

Fund	Balance as Reported December 31, 2008	New Funds	Balance as Restated January 1, 2009
Shop With a Cop	\$ -	\$ 637	\$ 637
Health Reimbursement	-	13,541	13,541
Wastewater Utility - Operating Interest	-	22,485	22,485
K-9	-	976	976

Note 7. Subsequent Event

On May 17, 2010, the Indiana Office of Community & Rural Affairs notified the City that their application for a Community Development Block Grant (CDBG) under the Disaster Recovery Fund, Appropriation 2 in the amount of \$2,222,872, was approved. The assigned grant number is DR2-09-089 and will be used for water facilities.

On June 7, 2010, the Water Utility signed a State Revolving Fund Loan for \$5,451,020. The proceeds from this loan will be used to pay for construction and improvements to the Brazil Water System.

CITY OF BRAZIL
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Loans payable:		
Public works loan	\$ 435,000	\$ 107,172
Bonds payable:		
General obligation bonds:		
Sidewalk and curb improvements 2002	530,000	70,934
Sidewalk and curb improvements 2008	320,000	19,826
Special Taxing District Bond	580,000	74,608
Redevelopment Bond 2008	<u>670,000</u>	<u>45,414</u>
Total governmental activities debt	<u>\$ 2,535,000</u>	<u>\$ 317,954</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
Water Bond 1994	<u>\$ 359,190</u>	<u>\$ 365,858</u>
Wastewater Utility:		
Revenue bonds:		
Refunding Revenue Bonds of 2004	<u>\$ 6,660,000</u>	<u>\$ 993,248</u>
Total business-type activities debt	<u>\$ 7,019,190</u>	<u>\$ 1,359,106</u>

CITY OF BRAZIL
EXAMINATION RESULTS AND COMMENTS

UNAUTHORIZED PAYMENTS UNDER THE VENDOR NAME TRISTAR

Former Clerk-Treasurer, Tracy L. Webster, received payments from August 13, 2007 through November 7, 2007, in the form of City checks in the amount of \$4,858.71. The checks were payable to Tracy L. Webster, under the vendor name TRISTAR. The accounting system is setup to print the vendor name on checks unless merged with another vendor and as a result the original vendor would not be traceable.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter7)

Tracy L. Webster, former Clerk-Treasurer, was requested to reimburse \$4,858.71 to the City of Brazil. (See Summary, page 19)

OVERPAYMENT OF COMPENSATION - FORMER CLERK-TREASURER

Former Clerk-Treasurer, Tracy L. Webster, overpaid herself \$4,954.91 during 2007 and 2008.

Former Clerk-Treasurer, Tracy L. Webster, issued herself handwritten check 11010 on May 4, 2007, for \$810.85 and deposited it into her personal checking account. As a result of the check being handwritten, the payment was not recorded in the City's records.

Former Clerk-Treasurer, Tracy L. Webster, issued herself an additional check 21901, on November 19, 2007, for \$812.00. It was shown on her payroll earnings between payroll periods November 13, 2007 and November 28, 2007, and it was deposited into her personal checking account.

Former Clerk-Treasurer, Tracy L. Webster, issued check 23094 and a direct deposit for \$773.85 each on April 11, 2008. Payroll records indicate the direct deposit was reversed; however, the bank was not notified of the reversal. Again on June 6, 2008, check 23766 and a direct deposit for \$770.21 each were issued to Tracy L. Webster. Payroll records indicate the direct deposit was reversed; however, the bank was not notified of the reversal.

Former Clerk-Treasurer, Tracy L. Webster, issued herself payroll check 23791 on June 20, 2008, for \$496.00 more than her salary and deposited it into her personal checking account.

Former Clerk-Treasurer, Tracy L. Webster, claimed and paid herself for notary work on May 29, 2008, by issuing check 12618 for \$52.00 and depositing it into her personal checking account on May 29, 2008. This service and salary was not included in the salary ordinance and therefore is considered an overpayment of compensation.

Former Clerk-Treasurer, Tracy L. Webster, received \$1,000.00 on November 14, 2007, as an insurance buyout for not accepting the city/health group insurance. Records indicate that Tracy L. Webster applied for and received health insurance through the City. Therefore, she was not eligible for this benefit. In addition, in her position as an elected official, she was not entitled to receive the insurance buyout bonus and was advised to repay the City \$1,000.00.

Former Clerk-Treasurer, Tracy L. Webster, issued herself check 25221 on November 21, 2008, in the amount of \$240.00 for sick leave buyout. Per the City's personnel policy cited below, former Clerk-Treasurer, Tracy L. Webster, was not eligible to receive the sick leave buyout.

CITY OF BRAZIL
EXAMINATION RESULTS AND COMMENTS
(Continued)

Per the City's personnel policy:

". . . at the end of any year (December 31) in which an employee's sick leave accumulation has exceeded sixty (60), that excess, not to exceed twelve (12) days shall be paid to the employee at an amount of twenty dollars (\$20.00) per day. Full-time regular employees and part time regular employees will be eligible for 1 day of personal sick pay each succeeding full month of employment up to a max of 60 days after 3 months of employment."

All compensation and benefits paid to officials and employees must be included in the salary ordinance adopted by the legislative body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

IC 36-4-7-2 states:

"Sec. 2.(a) As used in this section, 'compensation' means the total of all money paid to an elected city officer for performing duties as a city officer, regardless of the source of funds from which the money is paid. (b) The city legislative body shall, by ordinance, fix the annual compensation of all elected city officers. The ordinance must be published under IC 5-3-1, with the first publication at least thirty (30) days before final passage by the legislative body. (c) The compensation of an elected city officer may not be changed in the year for which it is fixed, nor may it be reduced below the amount fixed for the previous year."

Tracy L. Webster, former Clerk-Treasurer, was requested to reimburse \$4,954.91 to the City of Brazil. (See Summary, page 19)

OVERPAYMENT OF 2007 SALARIES (Applies to City)

As stated, in the prior Report B35611, A. Ann Bradshaw, Mayor, and Tracy L. Webster, former Clerk-Treasurer, received \$2,428.00 and \$2,306.00, respectively, in payments on October 16, 2008, and November 21, 2008, for what was thought to be 2007 underpayment of salary. However, it was later determined that the officials were actually not underpaid.

The Mayor repaid the \$2,248.00 to the City in full on February 5, 2009 (Receipt 298167). The former Clerk-Treasurer signed a promissory note on August 6, 2009, promising to repay \$2,306.00 to the City without interest in installments of \$100.00 per month, beginning September 15, 2009. As of the date of this report, \$200.00 has been repaid by the former Clerk-Treasurer (Receipts 331238, dated September 22, 2009, and 334463, dated October 20, 2009, both for \$100.00). Currently, the former Clerk-Treasurer has filed bankruptcy.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Tracy L. Webster, former Clerk-Treasurer, was requested to reimburse \$2,106 to the City of Brazil. (See Summary, page 19)

CITY OF BRAZIL
EXAMINATION RESULTS AND COMMENTS
(Continued)

PERSONAL EXPENSES

Former Clerk-Treasurer, Tracy L. Webster, issued check 11385 payable to MCC (Menard's Check Collections) on August 7, 2007, for \$1,130.92 to cover a personal nonsufficient funds check written out of her personal checking account for personal expenses.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses 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)

Tracy L. Webster, former Clerk-Treasurer, was requested to reimburse \$1,130.92 to the City of Brazil. (See Summary, page 19)

OVERPAYMENT OF COMPENSATION - PART-TIME EMPLOYEE

Kendra Lamb, daughter of former Clerk-Treasurer Tracy L. Webster, was employed by the City as a part-time employee during 2008. Time sheets indicate from June 6, 2008 to August 14, 2008, Kendra Lamb was paid for more hours than worked, totaling \$42.00.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Kendra Lamb was requested to reimburse \$42.00 to the City of Brazil. (See Summary, page 19)

ADDITIONAL AUDIT COSTS

The State of Indiana incurred additional audit costs due to the investigation of the former Clerk-Treasurer, Tracy L. Webster.

Audit costs or other costs incurred because of poor records, nonexistent records or other inadequate bookkeeping practices may be the personal obligation of the responsible official or employee of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Tracy L. Webster, former Clerk-Treasurer, was requested to reimburse \$6,500.00 to the State of Indiana. (See Summary, page 19)

OFFICIAL BOND

The official bond for the former Clerk-Treasurer, Tracy L. Webster, was through Merchants Bonding Company, for the office of City Clerk/Treasurer for the period of:

September 15, 2004 to March 8, 2008, Bond 15008 in the amount of \$35,000
September 15, 2006 to September 15, 2007, Bond 15008 in the amount of \$35,000
September 15, 2007 to September 15, 2008, Bond 15008 in the amount of \$35,000

CITY OF BRAZIL
EXAMINATION RESULTS AND COMMENTS
(Continued)

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. . . ."

CREDIT CARDS (Applies to City and Utilities)

The City is using credit cards to purchase items without an approved credit card policy.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should 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, etc.
- (6) Credit cards should 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 board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

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

OVERDRAWN CASH BALANCES (Applies to City and Wastewater Utility)

As was the case in 2008, as stated in the prior Report B35611, the cash balances of the General Fund, Emergency Response Team Fund, Park and Recreation Fund, Public Works Loan Fund, Cumulative Capital Improvement Fund, Cumulative Drainage Fund, Payroll Fund, and Wastewater Utility Operating Fund were also overdrawn in 2009.

CITY OF BRAZIL
EXAMINATION RESULTS AND COMMENTS
(Continued)

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

OLD OUTSTANDING CHECKS (Applies to City and Utilities)

Our review of the bank reconcilements as of December 31, 2009, revealed checks outstanding in excess of two years.

IC 5-11-10.5-2 states in part:

"All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

IC 5-11-10.5-3 states:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the: (1) board of finance of the political subdivision; or (2) the fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

IC 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

PERSONAL EXPENSES (Applies to City)

City officials and employees were allowed to purchase computers for personal use through the Police Department Fund. The City obtained a bank loan at the time of purchase. On July 9, 2010, repayment was made directly to the bank. One check was made payable to the City and a hand written receipt issued from the General Fund without being recorded in the City's records. The other repayment check was payable to the bank without being recorded.

CITY OF BRAZIL
EXAMINATION RESULTS AND COMMENTS
(Continued)

In addition, sales tax was not paid and officials and employees were instructed to contact the Indiana Department of Revenue to rectify the situation.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BANK ACCOUNT RECONCILIATIONS (Applies to City)

Depository reconciliations of the fund balances to the bank account balances were incorrect for the following accounts:

1. Brazil Fire Equipment Fund
2. Payroll Fund
3. General Fund
4. Golf Fund
5. Park Nonreverting Fund

The General Treasury Account is the pooling of City monies. The majority of City funds, excluding the Utilities funds, comprise this account. While the bank balance reconciles with the General Ledger's balance for "Pooled Cash" as of December 31, 2009, the detail of the funds that should comprise the control "Pooled Cash" exceeds the balance by \$51,480.

Depository reconciliations of the fund balances to the bank account balances were not prepared for the following accounts:

1. K-9 Fund
2. Shop With a Cop Fund
3. Community Fund
4. Health Reimbursement Fund
5. Law Enforcement Fund
6. Fire and Police Pension Fund

IC 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."

CITY OF BRAZIL
EXAMINATION RESULTS AND COMMENTS
(Continued)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TRANSACTION RECORDING (Applies to City)

As stated in prior Report B35611, the transactions of the K-9 Fund, Shop With a Cop Fund, Community Development Fund, Law Enforcement Fund, Health Reimbursement Fund, and NSP Grant Fund bank accounts were not entered in the records of the Clerk-Treasurer for 2009 and to date they are still not entered into the system.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS (Applies to City)

As reported in prior Report B35611, the City, excluding the Water and Wastewater Utilities, has not taken a complete inventory of its capital assets owned and recorded the inventory in a Capital Assets Ledger (City and Town Form 211).

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DEPOSITS (Applies to City)

In numerous instances, receipts were deposited up to eight days after received.

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."

APPROPRIATIONS (Applies to City)

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

CITY OF BRAZIL
EXAMINATION RESULTS AND COMMENTS
(Continued)

Fund	Year	Excess Amount Expended
General	2009	\$ 137,789
General Obligation Bond	2009	22,641

IC 6-1.1-18-4 states in part:

". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

MILEAGE ORDINANCE (Applies to City)

The City paid employees for mileage reimbursement without an approved ordinance fixing the rate.

A local unit may reimburse such persons for actual miles traveled in their own motor vehicles on official business of the local unit at a reasonable rate per mile as fixed by an ordinance or resolution of the unit's legislative body. The mileage rate should be fixed by the board or commission having authority to approve claims for travel expenses. No particular mileage rate has been set by the State of Indiana for local units of government and, consequently, the mileage rate lies within the discretion of legislative body, board or commission, unless otherwise provided by statute. The body setting the mileage rate should also determine whether parking fees and toll charges are included in the rate or, on the other hand, whether such expenses are to be reimbursed separately based on the submission of receipts. (Cities and Towns Bulletin, March 2009)

PENALTIES, INTEREST, AND OTHER CHARGES (Applies to City)

Credit card claims were paid late and as a result finance charges were assessed and paid by the City.

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)

SUPPORTING DOCUMENTATION (Applies to City)

Several payments were observed which were not supported by adequate documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

CITY OF BRAZIL
EXAMINATION RESULTS AND COMMENTS
(Continued)

Supporting documentation such as receipts, canceled checks, tickets, 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)

REMOVAL OF RECORDS (Applies to City)

Records for 2007 were not available for examination.

IC 5-15-6-4 states:

"(a) Except as provided in subsection (b), no records shall be removed or transferred from any office until a period of at least three (3) years shall have elapsed from the date on which the records were filed, nor even after that time if the records are in frequent use by the officer having charge of the office.

(b) Records may be removed or transferred from any office before three (3) years elapse after the date on which the records were filed if the removal or transfer is according to an approved retention schedule."

COMPENSATION AND BENEFITS (Applies to City)

City Ordinance 30-2005 authorizes any employee that opts not to accept the city health/accident group insurance to receive a \$1,000 bonus.

A. Ann Bradshaw, Mayor, received \$1,000 on November 14, 2007, and Karen McQueen, current Clerk-Treasurer, received \$1,000 on November 31, 2008, as an insurance buyout for not accepting the city health/accident group insurance. However, in their position as elected officials, neither is entitled to earn the insurance buyout bonus and no City ordinance existed to authorize the Mayor and Clerk-Treasurer to earn the buyout bonus.

A. Ann Bradshaw, Mayor, reimbursed \$1,000 to the City of Brazil.

Karen McQueen, Clerk-Treasurer, reimbursed \$1,000 to the City of Brazil.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or adopted by the governing body unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

STATE POLICE INVESTIGATION

Due to an ongoing Indiana State Police investigation of former Clerk-Treasurer, Tracy L. Webster, more charges could be uncovered at a later date.

CITY OF BRAZIL
EXIT CONFERENCE

The contents of this report were discussed on December 15, 2010, with A. Ann Bradshaw, Mayor, and Karen McQueen, Clerk-Treasurer. The officials concurred with our findings.

The contents of this report were discussed on December 15, 2010, with Tracy L. Webster, former Clerk-Treasurer. The official response has been made a part of this report and may be found on page 18.

The contents of this report were discussed by phone on December 16, 2010, with Steve Lamb, President of the Common Council. The official concurred with our findings.

To: State Board of Accounts

From: Tracy Webster

Date: December 17, 2010

I was hired in the summer of 2004 as a deputy clerk. The clerk at that time resigned approximately one month later. I became the interim clerk. I was asked by the council president at that time to request the Democratic Party hire me as clerk-treasurer. The council president stated that I would receive vacation, sick and other benefits as a city employee.

I remained clerk until December of 2007. Karen McQueen, 2008 - current clerk, hired me as her deputy in January, 2008. I worked for Karen as her deputy until the beginning of January 2009.

I have had an audit each year and have worked cooperatively during each audit. As well, I worked with the State Board of Accounts during the audit for 2008 at the request of the mayor. I was not a city employee during this time. I was told at the end of the 2008 audit I did not owe any additional money for vacation or sick time.

In regards to the request that I pay for the audit: I do not feel as if I should be held accountable for the audit costs since I had been audited each year. It is my belief that documents that had supporting evidence were destroyed after I was no longer employed or altered *delaying the completion of the audit.*

My response to the vacation/sick/insurance bonus payments: as stated above I was assured that I would receive these benefits as I was not a elected official. The current clerk as well as the mayor both received some of these payments and they were allowed to make restitution before the end of the audit. I also received some of these payments while I was deputy under the current clerk-treasurer.

In regard to the overpayment of salaries: I attempted from January 2009 for approximately 6 months to make restitution for salary overpayment. I contacted Mayor Bradshaw at this point and she and I met at Bob Pell's office to discuss repayment.

My response to the Tristar and MMC payments; I was not aware of the MMC check until this audit. I have recently found out that it was put on the docket and approved by the board. The Tristar payments were legitimate payments to me that I believe were put under that vendor by error. I brought this error to the auditor's attention in 2007 as well again in 2008.

I feel I have been cooperative during this audit and I have provided accurate and truthful information.



CITY OF BRAZIL
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Tracy L. Webster, former Clerk-Treasurer:			
Unauthorized Payments Under the Vendor			
Name TRISTAR, page 8	\$ 4,858.71	\$ -	\$ 4,858.71
Overpayment of Compensation - Former			
Clerk-Treasurer, pages 8 and 9	4,954.91	-	4,954.91
Overpayment of 2007 Salaries, page 9	2,106.00	-	2,106.00
Personal Expenses, page 10	1,130.92	-	1,130.92
Additional Audit Costs, page 10	6,500.00	-	6,500.00
Kendra Lamb, part-time employee:			
Overpayment of Compensation - Part-Time			
Employee, page 10	42.00		
Repaid by Tracy L. Webster, Check No. 4882,			
dated February 9, 2011		42.00	-
	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 19,592.54</u>	<u>\$ 42.00</u>	<u>\$ 19,550.54</u>

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AFFIDAVIT

STATE OF INDIANA)
)
monroe COUNTY)

I, Lynne Spencer, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the City of Brazil, Clay County, Indiana, for the period from January 1, 2009 to December 31, 2009, is true and correct to the best of my knowledge and belief.

Lynne Spencer
Field Examiner

Subscribed and sworn to before me this 18 day of January, 2011

Scotta Ridge
Notary Public

My Commission Expires: 9/10/14

County of Residence: monroe

