

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF VINCENNES

KNOX COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
10/30/2014

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Federal Findings:	
Finding 2013-001 - Internal Controls Over the Schedule of Expenditures of Federal Awards	6-7
Finding 2013-002 - Internal Controls Over Financial Transactions	7
Corrective Action Plan	8-9
Audit Results and Comments:	
Bank Account Reconciliations.....	10
Errors on Claims	10
Penalties, Interest, and Other Charges.....	11
Overpayment Collections	11
Exit Conference	12
Animal Control:	
Audit Results and Comments:	
Deposits	14
Condition of Records.....	14
Ordinances and Resolutions.....	14
Exit Conference	15

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	David L. Culp	01-01-12 to 12-31-15
Mayor	Joe Yochum	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Joe Yochum	01-01-12 to 12-31-15
President Pro Tempore of the Common Council	Shirley S. Rose Duane Chattin	01-01-13 to 12-31-13 01-01-14 to 12-31-14
Vincennes Water General Manager	L. Kirk Bouchie	01-01-13 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF VINCENNES, KNOX COUNTY, INDIANA

This report is supplemental to our audit report of the City of Vincennes (City), for the period from January 1, 2013 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the City, which provides our opinions on the City's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

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 Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

September 8, 2014

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CLERK-TREASURER
CITY OF VINCENNES

CLERK-TREASURER
CITY OF VINCENNES
FEDERAL FINDINGS

**FINDING 2013-001 - INTERNAL CONTROLS OVER THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS**

The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements or errors could remain undetected.

During the audit of the SEFA, we noted the following errors: (1) four federal grants were not reported, and nine grants were reported for the incorrect amount; (2) no CFDA numbers or identifying numbers assigned by the pass-through entity were reported; and (3) the federal grantor agency, pass-through agency and/or federal program titles were not always correct. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report.

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.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and "Towns, Chapter 7)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.

CLERK-TREASURER
CITY OF VINCENNES
FEDERAL FINDINGS
(Continued)

- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

FINDING 2013-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS

We noted deficiencies in the internal control system within the City's Clerk-Treasurer's Office related to financial transactions. The internal control system within the Clerk-Treasurer's Office lacked segregation of duties. Control activities should be selected and developed at various levels of the Clerk-Treasurer's Office to reduce risks to the achievement of financial reporting objectives. The Clerk-Treasurer has not separated incompatible activities related to receipts, disbursements (including payroll), and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

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.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)



**CITY OF VINCENNES
OFFICE OF THE CLERK-TREASURER**

203 Vigo Street
Vincennes, IN 47591

David L. Culp
Clerk-Treasurer
812-882-6426 office
812-886-3406 fax
dculp@vincennes.org

CORRECTIVE ACTION PLAN

FINDING NO. 2013-001

CONTACT PERSON RESPONSIBLE FOR CORRECTIVE ACTION: DAVID I. CULP
CONTACT PHONE NUMBER: 812-882-6426

DESCRIPTION OF CORRECTIVE ACTION PLAN:

- Establish a Grant Detailed Information form containing names, numbers, dates and amounts for each new and currently active previous grants.
- Inform all Department Heads of the above form and the information that is required when grants are obtained and the importance of first notifying the Clerk-Treasurer.
- Spreadsheets will be prepared for all currently active previous grants.
- All current grants will be assembled (stored) in the same file cabinet in our office.
- The first and paramount importance of the Schedule of Expenditures of Federal Awards (SEFA) in the Annual Financial Report will be communicated to all Department Heads.
- Office personnel will be advised of the importance of the SEFA.
- The Clerk-Treasurer to the best of his ability will supervise and take responsibility for all of the above.

ANTICIPATED COMPLETION DATE:

- At the initiation of each new grant.
- By the conclusion of the 2014 Annual Financial Report.

A handwritten signature in black ink, appearing to read "D. Culp", written over a horizontal line.

Clerk-Treasurer
August 12, 2014



CITY OF VINCENNES
OFFICE OF THE CLERK-TREASURER
203 Vigo Street
Vincennes, IN 47591

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CORRECTIVE ACTION PLAN

FINDING 2013-002

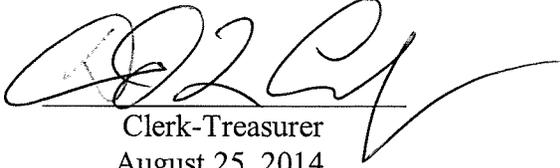
CONTACT PERSON RESPONSIBLE FOR CORRECTIVE ACTION: DAVID L. CULP
CONTACT PHONE NUMBER: 812-882-6426

DESCRIPTION OF CORRECTIVE ACTION PLAN:

- There will be segregation of financial duties related to receipts, disbursements, payroll, cash and investment balances.
- Each one of the above will have a checks and balance system.
- Each Deputy will have another staff member to participate in the finalization of activities.
- The Clerk-Treasurer will participate in each Deputy's financial transactions.
- The Deputies will participate in all financial transactions of the Clerk-Treasurer.

ANTICIPATED COMPLETION DATE:

- The above action plan was implemented each time the SBOA Auditor made a suggestion.


Clerk-Treasurer
August 25, 2014

CLERK-TREASURER
CITY OF VINCENNES
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations listed numerous adjustments, some that have been carried in excess of two years.

The unit should investigate the adjustments and make appropriate corrections in a timely manner.

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."

ERRORS ON CLAIMS

We identified the following deficiencies with an error rate greater than 10 percent: Of the claims tested, 14 percent did not have adequate supporting documentation. This error resulted in \$8,184 of expenses which did not have adequate supporting documentation.

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:

- (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
- (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."

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

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties of \$97 and interest of \$149 were paid to the German American Bank and Wal-Mart, respectively, for not remitting credit card payments on a timely basis.

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)

OVERPAYMENT COLLECTIONS

The City paid for health and life insurance premiums for a retired firefighter's beneficiary as part of a buyout plan in 1999. Per the plan, the benefits were to cease as of March 31, 2013, when the beneficiary reached age 65. The City was notified by the beneficiary that the benefits were to stop as of March 31, 2013; however, payments continued to be made by the City until December 2013. The City was notified that the insurance coverage was retroactively terminated as of March 31, 2013. The City did not request a refund for the amount of the overpayments that amounted to \$5,178.31.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLERK-TREASURER
CITY OF VINCENNES
EXIT CONFERENCE

The contents of this report were discussed on September 8, 2014, with David L. Culp, Clerk-Treasurer; Joe Yochum, Mayor; Cheryl Hacker, Mayor's Assistant; Elizabeth L. Clinkenbeard, Chief Deputy Clerk-Treasurer; and Duane Chattin, President Pro Tempore of the Common Council.

ANIMAL CONTROL
CITY OF VINCENNES

ANIMAL CONTROL
CITY OF VINCENNES
AUDIT RESULTS AND COMMENTS

DEPOSITS

Receipts were deposited with the Clerk-Treasurer later than the next business day in 78 percent of receipts tested. Time lapsed up to 36 days between the collecting of the money and remitting it to the Clerk-Treasurer for deposit.

Indiana Code 5-13-6-1(c) states in part:

" . . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

CONDITION OF RECORDS

Financial records presented for audit were incomplete and not reflective of the Animal Control Department. The records presented did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions. Collections totaling \$17,441 were remitted to the City for deposit into the General fund during the audit period.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ORDINANCES AND RESOLUTIONS

The Animal Control Department has an ordinance concerning the fee schedule for the Animal Shelter. However, we noted that the Animal Shelter did not always charge the fees that were established in the ordinance during 2013.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANIMAL CONTROL
CITY OF VINCENNES
EXIT CONFERENCE

The contents of this report were discussed on September 8, 2014, with Joe Yochum, Mayor; Laura Arial, Director of Animal Control; Cheryl Hacker, Mayor's Assistant; Elizabeth L. Clinkenbeard, Chief Deputy Clerk-Treasurer; Duane Chattin, President Pro Tempore of the Common Council; and David L. Culp, Clerk-Treasurer.