

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF SHELBYVILLE

SHELBY COUNTY, INDIANA

January 1, 2014 to December 31, 2015



**FILED**  
10/21/2016



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Frank M. Zerr	01-01-12 to 12-31-19
Mayor	Tom DeBaun	01-01-12 to 12-31-19
President of the Board of Public Works and Safety	Tom DeBaun	01-01-12 to 12-31-19
President Pro Tempore of the Common Council	Brian D. Asher Jason Brown Robert Nolley	01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16
Superintendent of Wastewater Utility	Bradley Fix	01-01-14 to 12-31-16
Superintendent of Storm Water Utility	Derrick Byers	01-01-14 to 12-31-16
Utility Office Manager	Beth Corley	01-01-14 to 12-31-16



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF SHELBYVILLE, SHELBY COUNTY, INDIANA

This report is supplemental to our examination report of the City of Shelbyville (City), for the period from January 1, 2014 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement Examination Report of the City, which provides our opinion on the City's financial statement. This report may be found at [www.in.gov/sboa/](http://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 Examination 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 Examination Results and Comments, incorporated within this report, was not verified for accuracy.

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

August 30, 2016

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CLERK-TREASURER  
CITY OF SHELBYVILLE

CLERK-TREASURER  
CITY OF SHELBYVILLE  
EXAMINATION RESULTS AND COMMENTS

**APPROPRIATIONS**

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

Fund	Years	Excess Amount Expended
Park Bond 3	2014	\$ 540
Park Fund	2014	11,808
Park Bond 2	2014	741
Redev Park Bond	2014	813
Park Fund	2015	83,112

Indiana Code 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."

**CREDIT CARDS**

The City had an approved credit card policy; however, during our testing, there were the following deficiencies:

1. The City's credit card policy stated that all cards must be maintained and monitored by either the Mayor or Clerk-Treasurer; however, each employee with a City credit card maintained control of the credit card at all times. There was no log maintained that listed who was using a card and for what purpose.
2. Each employee received their own credit card statement and was responsible for preparing the claim and submitting it to the Clerk-Treasurer with only the receipts attached. The Clerk-Treasurer's office did not receive or review all credit card statements. The Clerk-Treasurer's office did not reconcile all items purchased per the credit card statements to the submitted receipts. This lack of internal control could have resulted in items being purchased but never paid for, the incurrence of interest and/or late fees, and the possible purchase of unauthorized items going 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)

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:



CLERK-TREASURER  
CITY OF SHELBYVILLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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)

**FEES**

The City charged \$40 for each wedding performed by the Mayor or Clerk-Treasurer. There is no specific statutory authority for the City to charge a fee to perform marriage ceremonies.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**FUND SOURCES AND USES**

The City sold a fire truck in December 2015 for \$25,000 and the proceeds from the sale were incorrectly receipted to the Restricted Donation Fund. The receipt should have been recorded in the fund from

CLERK-TREASURER  
CITY OF SHELBYVILLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

which the fire truck was originally purchased. Other receipts recorded in the Restricted Donation Fund included, but were not limited to, vending machine revenue, scrap metal sales, corporate donations, and rental income for storage space.

Disbursements from the Restricted Donation Fund during the audit period included, but were not limited to, various expenses related to employee Christmas parties, employee appreciation/recognition awards, flowers, and office supplies.

No ordinance was presented for examination stating the sources and uses of the Restricted Donation Fund.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

SHELBYVILLE



INDIANA

## *Office of the City Clerk-Treasurer*

44 WEST WASHINGTON STREET 46176 • (317) 392-5103 • FAX (317) 392-5158

*FRANK M. ZERR*

*September 9, 2016*

Re: Official Response after Exit Conference

The City will review and update its credit card ordinance and policy to reflect current practices. It will change current practices to the extent necessary to comply with SBOA guidance, including maintaining a log of who is using credit cards and why, and implementing a process whereby the Clerk-Treasurer's Office can confirm that credit card statements have been reconciled.

The City's practice was to ask for a forty dollar donation to the City for each wedding performed by the Mayor or Clerk-Treasurer. Going forward, the City will ensure that applicants are aware that a donation is not a requirement for having their wedding performed.

The City is reviewing its nonreverting funds, including the Restricted Donation Fund, and if an ordinance is not already in place, the City will introduce an ordinance setting forth the sources and uses of those funds.

*Frank Zerr*  
*Clerk-Treasurer*

CLERK-TREASURER  
CITY OF SHELBYVILLE  
EXIT CONFERENCE

The contents of this report were discussed on August 30, 2016, with Frank M. Zerr, Clerk-Treasurer; Tom DeBaun, Mayor; Robert Nolley, President Pro Tempore of the City Council; Trent Meltzer, City Attorney; and Brenda Ogden, Deputy Clerk-Treasurer.