

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF VALPARAISO

PORTER COUNTY, INDIANA

January 1, 2015 to December 31, 2015



**FILED**  
04/27/2017



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Clerk-Treasurer:	
Federal Finding:	
Finding 2015-001 - Financial Transactions.....	6
Corrective Action Plan .....	7
Exit Conference .....	8

### SCHEDULE OF OFFICIALS

Clerk-Treasurer	Sharon Emerson Swihart	01-01-12 to 12-31-19
Mayor	Jon Costas	01-01-12 to 12-31-19
President of the Board of Public Works and Safety	Jon Costas	01-01-12 to 12-31-19
President Pro Tempore of the Common Council	Jan Dick John Bowker	01-01-15 to 12-31-15 01-01-16 to 12-31-17
City Administrator	Bill Oeding	01-01-15 to 12-31-17
Director of Utilities	Steve Poulos	01-01-15 to 12-31-17
Controller of Utilities	Alina Hahn	01-01-15 to 12-31-17



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE CITY OF VALPARAISO, PORTER COUNTY, INDIANA

This report is supplemental to our audit report of the City of Valparaiso (City), for the period from January 1, 2015 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings 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/](http://www.in.gov/sboa/).

The Federal Finding, identified in the above referenced audit report, is included in this report.

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

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

February 23, 2017

(This page intentionally left blank.)

CLERK-TREASURER  
CITY OF VALPARAISO

CLERK-TREASURER  
CITY OF VALPARAISO  
FEDERAL FINDING

***FINDING 2015-001 - FINANCIAL TRANSACTIONS***

*Condition*

There were deficiencies in the internal control system of the City related to financial transactions. The City had not separated incompatible activities related to receipts and cash and investment balances.

The Parks Department processed approximately \$1,000,000 in credit card payments. The bookkeeper at the Parks Department did not reconcile the credit card bank account to the CREDIT CARD FUND. The bookkeeper only reconciled the credit card activity on a monthly basis; another individual approved that reconciliation, but was unaware that there was no reconciliation of the CREDIT CARD FUND to the bank account.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

*Cause*

Management of the City had not established a proper system of internal control.

*Effect*

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the City at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



CORRECTIVE ACTION PLAN

**FINDING 2015-001**

Contact Person Responsible for Corrective Action: Sharon Emerson Swihart, Clerk-Treasurer  
Contact Phone Number: 219-462-1161

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The credit card bank account will be reconciled by the Bookkeeper each month. Because so many types of Park Revenue come into the credit card account, the Park Department Bookkeeper keeps an Excel spreadsheet every day reconciling the revenue into its proper category.

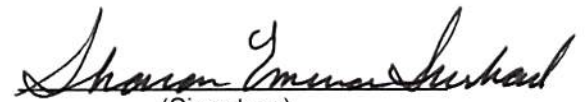
The bank statement will be reconciled with the spreadsheets of receipts, with a monthly balance sheet and the monthly fund report. The Assistant Bookkeeper will review and indicate, with a check mark and initial or signing of the bank statement, Excel balance sheet and fund report that she has reviewed and concurs with the credit card bank statement balances.

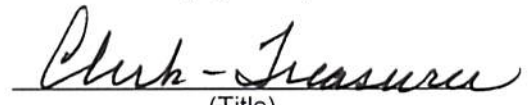
The current balance of the credit card account, as of December 30, 2016 is as follows: Bank Statement - \$ 82,346.72

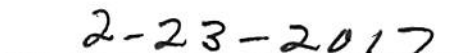
Park Credit Card Fund - \$ 83,140.40

There is a difference of \$ 923.58 after reconciliation. We will monitor that difference monthly and if that amount remains the same until March of 2017, we will transfer that amount into miscellaneous revenue,

Anticipated Completion Date: March 31, 2017

  
(Signature)

  
(Title)

  
(Date)

CLERK-TREASURER  
CITY OF VALPARAISO  
EXIT CONFERENCE

The contents of this report were discussed on February 23, 2017, with Sharon Emerson Swihart, Clerk-Treasurer; Jon Costas, Mayor; John Bowker, President Pro Tempore of the Common Council; and Bill Oeding, City Administrator.