

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, 2022 to December 31, 2022



FILED
08/08/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Catherine M.M. Lane	01-01-22 to 12-31-23
Mayor	Joe Yochum	01-01-22 to 12-31-23
President of the Board of Public Works and Safety	Joe Yochum	01-01-22 to 12-31-23
President Pro Tempore of the Common Council	Tim Salters	01-01-22 to 12-31-23
President of the Utility Services Board	Ryan Clark	01-01-22 to 12-31-23
Water Utility General Manager	L. Kirk Bouchie	01-01-22 to 12-31-23



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 the audit report of the City of Vincennes (City), for the period from January 1, 2022 to December 31, 2022. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with the Financial Statement Audit Report of the City, which provides our opinions on the City's financial statement. This report may be found at 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 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 Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

July 27, 2023

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CLERK-TREASURER
CITY OF VINCENNES

CLERK-TREASURER
CITY OF VINCENNES
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

The original Annual Financial Report (AFR), submitted via the Indiana Gateway for Government Units financial reporting system, was submitted by the March 1, 2023 deadline; however, it was materially incomplete and did not agree with the ledger. The AFR was resubmitted with complete information on May 23, 2023, which is 83 days past the due date.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

Financial and other information are required to be entered annually into the Annual Financial Report via the Indiana Gateway for Government Units (Gateway) financial reporting system. The City did not have an adequate system of internal controls in place to ensure the accuracy of the information entered in Gateway. The leases and debt and grant information entered into Gateway contained the following errors:

Leases and Debt

The City incorrectly reported the annual lease payment due on the New Pool Mortgage Bonds 2013 Lease Payments. The City also incorrectly reported the amounts of ending principal balance and principal due within one year for all the debts reported on the schedule. Interest due on all debts was included on all ending principal balances.

Adjustments were proposed, accepted by the City, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report of the City.

Grants

The grant information that was entered contained the following errors:

1. The Investments for Public Works and Economic Development Facilities program expenditures were understated by \$337,881.
2. The Edward Byrne Memorial Justice Assistance Grant Program expenditures were understated by \$37,790.
3. The Highway Planning and Construction program expenditures were overstated by \$269,106.

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

4. The monies passed through to subrecipients for the COVID-19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii was understated by \$34,750.
5. Additional errors included incorrect program names, Assistance Listings Numbers, pass-through entities, and identifying numbers.

Adjustments were proposed, accepted by the City, and made to the Schedule of Expenditures of Federal Awards in the Federal Compliance Audit Report of the City.

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. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

BANK ACCOUNT RECONCILIATIONS

The same comment appeared in a Management Letter addressed to the Clerk-Treasurer for the audit period ending December 31, 2021.

Condition and Context

Bank account reconciliations were performed each month during the audit period for the City's 15 bank accounts. For each bank account, the City used the Normal Reconcile Sheet as of each month end, which reconciled the bank balance to a financial balance. However, the financial balance that was reconciled to as of December 31, 2022, was \$1,611 less than the total of all funds balance on the Cash Ledger by Fund report used to prepare the financial statement.

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

Also, the reconciled bank account balances could not be verified to individual funds on the Cash Ledger by Fund report. As of December 31, 2022, the total City funds balances on the Cash Ledger by Fund report was \$12,932 more than the reconciled bank balances for City funds. The Wastewater Utility fund balances on the Cash Ledger by Fund report were \$11,323 less than the reconciled bank balances for Wastewater funds.

Criteria

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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

A similar comment also appeared in prior Reports B57255, entitled *MOTOR VEHICLE HIGHWAY RESTRICTED EXPENDITURES*; and B59778, entitled *MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND DISBURSEMENTS*.

Condition and Context

The City did not record 50 percent of State Motor Vehicle Highway distributions in the MVH Restricted fund for 2022 due to one of the 12 distributions being recorded in the Motor Vehicle Highway fund 100 percent, instead of a 50-50 split between Motor Vehicle Highway and MVH Restricted funds.

Seven of the eight expenditures spent from the MVH Restricted fund were not used for construction, reconstruction, and preservation of the City's highways. The City also disbursed all eight of these claims earlier in the year from the Motor Vehicle Highway fund and then on December 31 they were cancelled and posted to the MVH Restricted fund. This was done to avoid reporting a negative balance as of December 31, 2022, in the Motor Vehicle Highway fund of \$76,881.

Criteria

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted. (State Examiner Directive 2018-2)

Indiana Code 8-14-1-5(c) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

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 unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

OVERDRAWN CASH BALANCES

A similar comment also appeared in the prior Report B59778, entitled *OVERDRAWN CASH BALANCES*.

Condition and Context

The financial statement presented for audit included the following funds with an overdrawn cash balance as of December 31, 2022:

Fund	Overdrawn Balance 12-31-22
Pay- Medicare	\$ 3,819
Pay-IN Firefighters Pac	17
Pay- Pension Union Dues	90
Pay-State Withholding	44
Pay-Police Pension W/H	521
Pay-Fire Pension W/H	764
Pay-Dental Health	75
Pay-One America Life Insurance	61
Pay-Garnishment IL State CS	95
Pet Smart Grant	1,835
Federal Overtime Reimbursement	2,831
COVID Relief Grant	17,000
Community Crossings Grant	324,767

In addition, there were three year-end transfers made from the Co Econ Dev Income Tax (Cedit) fund (which is actually Local Income Tax revenue) to the Fire Department, Park & Recreation, and Motor Vehicle Highway funds to avoid reporting overdrawn cash balances at year end for those three funds.

Criteria

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 unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
CITY OF VINCENNES
EXIT CONFERENCE

The contents of this report were discussed on July 27, 2023, with Joe Yochum, Mayor; Catherine M. M. Lane, Clerk-Treasurer; Tim Salters, President Pro Tempore of the Common Council; and Ed Gornall III, Common Council member.