

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF BOONVILLE

WARRICK COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED

08/22/2023

TABLE OF CONTENTS

| <u>Description</u> | <u>Page</u> |
|---|-------------|
| Schedule of Officials | 2 |
| Transmittal Letter | 3 |
| Clerk-Treasurer: | |
| Audit Results and Comments: | |
| Annual Financial Report - Other Information | 6-7 |
| Internal Controls | 7 |
| Official Response..... | 8-9 |
| Exit Conference | 10 |

SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|--|--------------------------------------|--|
| Clerk-Treasurer | Tamelia L. Boruff | 01-01-22 to 12-31-23 |
| Mayor | Charles R. Wyatt | 01-01-22 to 12-31-23 |
| President of the Board of Public Works | Charles R. Wyatt | 01-01-22 to 12-31-23 |
| President Pro Tempore of the Common Council | Larry Lacer (Vacant) Mike Webb | 01-01-22 to 04-29-22 04-30-22 to 07-04-22 07-05-22 to 12-31-23 |



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

TO: THE OFFICIALS OF THE CITY OF BOONVILLE, WARRICK COUNTY, INDIANA

This report is supplemental to the audit report of the City of Boonville (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

August 7, 2023

(This page intentionally left blank.)

CLERK-TREASURER
CITY OF BOONVILLE

CLERK-TREASURER
CITY OF BOONVILLE
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The City had not established effective internal controls over the AFR information entered into Gateway, which resulted in the following errors:

Capital Assets

The City maintained a Capital Asset ledger; however, the Clerk-Treasurer did not enter the information into Gateway accurately, resulting in material errors in the Schedule of Capital Assets.

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

Grants

The City failed to properly review the grant information submitted in Gateway. Although the Clerk-Treasurer and a Deputy Clerk-Treasurer reviewed the final Gateway submission, and approved the information entered, the internal control was not effective and did not detect and allow correction of all errors prior to submission.

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

Leases and Debt

The City included a lease which had been closed. In addition, the City omitted a lease with the Boonville Redevelopment Authority which was entered into during 2021. These misstatements caused the overall understatement of Annual Lease Payments of \$1,268,000 as of December 31, 2022.

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 for 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 the 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.

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

An integral part of the control activity components 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](#)."

INTERNAL CONTROLS

Condition and Context

A proper system of internal controls, which would include appropriate segregation of duties, should be designed and implemented at various levels to effectively prevent, or detect and correct, errors. There were deficiencies in the internal control system of the City related to disbursements.

The City had designed internal controls for disbursements in which claims would be prepared by the Deputy Clerk-Treasurer, then reviewed and certified by the Clerk-Treasurer; however, we were unable to verify that this internal control was in place due to a lack of documentation. There were instances when the claims were certified with the Clerk-Treasurer's signature by the Deputy Clerk-Treasurer, at the Clerk-Treasurer's instruction, which allowed the Deputy Clerk-Treasurer to prepare the claim, certify the claim, issue and distribute the checks, and post the disbursement to the ledger without evidence of an oversight, review, or approval process by another individual.

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. . . ."



CITY OF BOONVILLE
OFFICE OF CLERK-TREASURER
135 SOUTH SECOND STREET
P.O. BOX 508
BOONVILLE, INDIANA 47601
TELEPHONE 812 897 6543 FAX 812 897 6545

August 11, 2023

“OFFICIAL RESPONSE”

Via Regular Mail & Email (officialresponse@sboa.in.gov)

State Board of Accounts
Official Response
302 West Washington Street, Room E 418
Indianapolis, IN 46204-2765

Re: City of Boonville Response to 2021 and 2022 Examination Results and Audit Comments as Presented by the State Board of Accounts

To Whom It May Concern:

The City of Boonville (“City”) writes to respond to the audit results and comments as presented to the City at its August 7, 2023 exit conference with Indiana State Board of Accounts (“SBOA”) auditors.

First, the City is pleased to learn that the financial statements are “unmodified” –

meaning that the City’s financial records fairly presented, in all material respects, the finances and results of operations of the City for the audited periods. The City further notes that as a result of its financial health, stability, and policies, Standard & Poor’s issued an “A+” rating for bonds issued through the City’s Redevelopment Authority during the audited period in 2021.

The City understands that the SBOA auditors undertook a thorough review of numerous City policies, procedures, transactions, assets, and reporting, and following that review the auditors have provided two Supplemental Report comments. The City appreciates the comments and provides the following responses:

Annual Financial Report – Other Information

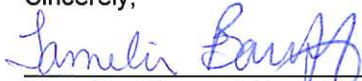
This comment concerns how financial information was entered into the State's online reporting software, Gateway. Importantly, and as confirmed by the auditors, all of the City's financial information – capital assets, grants, leases and debts, expenditures, and otherwise – was accurately accounted for and reported within the City's ledger and records. However, the City was not aware that some of its data was not entered in the correct manner into Gateway. As the comment notes, the data was reviewed by the Clerk-Treasurer and/or Deputy Clerk-Treasurer at the time of entry. The City also had an additional control in place in that the City's Gateway entries were also reviewed by the City's financial consultants at Baker Tilly, who also believed the entries were correctly made into Gateway at the time. The City also understands that the SBOA is reviewing and considering updates to the Gateway schedules to help avoid Gateway reporting errors from local entities in the future. In any event, as noted in the comments, the City has made all appropriate adjustments on Gateway and will coordinate with Baker Tilly to help ensure correct Gateway entries on the identified items in the future.

Internal Controls

This comment concerns the documentation of review of claims by multiple individuals. Review of claims by separate individuals is an important control that helps ensure against invalid claim payments. Again, all audited claims of the City were accurate and valid. However, although the Clerk-Treasurer reviews claims prepared by the Deputy Clerk-Treasurer, that review was not documented in instances in which the Deputy Clerk-Treasurer certified the claims at the direction of the Clerk-Treasurer. Moving forward, the Clerk-Treasurer will ensure that there is a documented second review of claims and disbursement postings in the ledger.

Thank you for your assistance and service.

Sincerely,



Tamelia (Tammy) Boruff
Clerk-Treasurer, City of Boonville



Charles R. Wyatt
Mayor, City of Boonville

CLERK-TREASURER
CITY OF BOONVILLE
EXIT CONFERENCE

The contents of this report were discussed on August 7, 2023, with Tamelia L. Boruff, Clerk-Treasurer; Charles R. Wyatt, Mayor; Jim Miller, Common Council member; Sheila Lacer, Common Council member; and Stephen Unger, City Attorney.