

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF WINCHESTER

RANDOLPH COUNTY, INDIANA

January 1, 2021 to December 31, 2022



FILED
12/21/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kerry Sayre	01-01-21 to 12-31-23
Mayor	Bob McCoy	01-01-21 to 12-31-23
President of the Board of Public Works	Bob McCoy	01-01-21 to 12-31-23
President Pro Tempore of the Common Council	Jim Nunez, Jr.	01-01-21 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF WINCHESTER, RANDOLPH COUNTY, INDIANA

This report is supplemental to the audit report of the City of Winchester (City), for the period from January 1, 2021 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

December 12, 2023

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CLERK-TREASURER
CITY OF WINCHESTER

CLERK-TREASURER
CITY OF WINCHESTER
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

A similar comment also appeared in prior Report B58149, entitled *INTERNAL CONTROLS*.

Condition and Context

Disbursements

The City designed and implemented internal controls over disbursements to ensure that payroll was properly paid; however, the internal control was ineffective. Due to the lack of effective internal controls, the following errors occurred:

- Two out of the ten payroll disbursements sampled did not have a time record that was approved by the appropriate official or department head.

Financial Close and Reporting

The City designed and implemented internal controls over the preparation and submission of the Annual Financial Report (AFR) to the Indiana Gateway for Government Units financial reporting system; however, the internal control was ineffective and failed to identify immaterial variances between the AFR and the City's financial records.

Audit adjustments were proposed, accepted by the City, and made to the financial statement.

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](#)."

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. . . ."

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

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

Financial, supplemental, 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:

Grants

1. The Covid-19 - Coronavirus State and Local Recovery Funds Grants expenditures were overstated by \$11,064,659.
2. Other immaterial grant amounts were omitted from the schedule.

Since the City did not expend the requisite amount of federal dollars during any year of the audit period, a Schedule of Expenditures of Federal Awards was not required to be reported.

Debt and Capital Asset Information

The information presented for the City's leases and debt and capital assets was determined to be incorrect and was not included in the Financial Statement Audit Report of the City.

Criteria

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

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CAPITAL ASSETS

Condition and Context

The City did not properly maintain a Capital Asset Ledger for the audit period for the City and its Wastewater Utility. The City's detailed listing of capital assets did not include any additions or deletions made during the audit period.

The City has not completed a physical inventory at least every two years to verify asset account balances carried in the accounting records.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

FUND SOURCES AND USES - MVH RESTRICTED

Condition and Context

Disbursements made from the MVH Restricted fund were used to purchase road salt, limestone, surface cold mix, a radar slow down sign, and the return of a grant overpayment from the Indiana Department of Transportation. These disbursements were not for the construction, reconstruction, and preservation of the City's highways.

Criteria

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."

CLERK-TREASURER
CITY OF WINCHESTER
EXIT CONFERENCE

The contents of this report were discussed on December 12, 2023, with Kerry Sayre, Clerk-Treasurer; Bob McCoy, Mayor; and Jim Nunez, Jr., President Pro Tempore of the Common Council.