

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF DUNKIRK

JAY COUNTY, INDIANA

January 1, 2018 to December 31, 2022



FILED
06/18/2024

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---------------------------------|---------------------------------------|--|
| Clerk-Treasurer | Tina Elliott (Vacant) Kara Lowe | 01-01-18 to 03-12-24 03-13-24 to 03-25-24 03-26-24 to 12-31-24 |
| Mayor | Gene Ritter Jack Robbins | 01-01-18 to 12-31-19 01-01-20 to 12-31-24 |
| President of the Common Council | Jesse Bivens | 01-01-18 to 12-31-24 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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TO: THE OFFICIALS OF THE CITY OF DUNKIRK, JAY COUNTY, INDIANA

This report is supplemental to the audit report of the City of Dunkirk (City), for the period from January 1, 2018 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 Statements Audit Report of the City, which provides our opinions on the City's financial statements. 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.

A handwritten signature in blue ink that reads "Beth Kelley".

Beth Kelley, CPA, CFE
Deputy State Examiner

May 29, 2024

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CLERK-TREASURER
CITY OF DUNKIRK

CLERK-TREASURER
CITY OF DUNKIRK
AUDIT RESULTS AND COMMENTS

PENALTIES, INTEREST, AND OTHER CHARGES

A similar comment also appeared in prior Report B52188.

Condition and Context

In 2019 and 2020, the City paid a total of \$2,405.72 in penalties, interest, and other charges to the Indiana Department of Revenue for late remittance of taxes for tax periods in 2019 and 2020.

Criteria

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

We requested Tina Elliott, former Clerk-Treasurer, to reimburse the City \$2,405.72 for penalties, interest, and other charges paid as noted above. (See Summary of Charges, page 16)

FUND SOURCES AND USES - PAYROLL FUND

Condition and Context

The Payroll fund balance increased significantly during the years 2020, 2021, and 2022. The balance increased from (\$3,036) as of January 1, 2020, to \$184,210 as of December 31, 2022. The Payroll fund should act as a clearing account (receipts equal to disbursements) and maintain a balance at or near zero.

Criteria

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)

OVERDRAWN CASH BALANCES

A similar comment also appeared in the prior Reports B44615 and B52188.

Condition and Context

The following schedule shows the cash balances of funds with overdrawn balances at each year end:

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

| Fund | December 31, 2019 | December 31, 2020 | December 31, 2021 | December 31, 2022 |
|--|----------------------|----------------------|----------------------|----------------------|
| Payroll | \$ 3,036 | \$ - | \$ - | \$ - |
| Sewage Utility Bond And Interest Sinking | 29,737 | 29,275 | 29,275 | 365,412 |
| Trash and Garbage Pickup | - | - | 1,159 | 5,266 |

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)

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

Financial and other information are required to be entered into the Annual Financial Report via the Indiana Gateway for Government Units (Gateway) financial reporting system. The capital assets and leases and debt entered into Gateway contained the following errors:

Capital Assets

The City did not report capital asset additions or deletions for 2019 to 2021. All capital asset additions and deletions for 2019 to 2022 were reported in 2022.

Leases and Debt

The City did not report its outstanding debt issues for 2018. Also, the City incorrectly reported the ending principal balance, principal and interest due within one year, or principal due within one year for the following years:

| Years | Bond Issue | Ending Principal Balance Over (Under) Reported | Principal And Interest Due Within One Year Over (Under) Reported | Principal Due Within One Year Over (Under) Reported |
|-------|------------------------------|--|--|--|
| 2019 | 2000 Municipal Water Utility | \$ (161,666) | \$ (79,271) | N/A |
| | 2010 Municipal Water Utility | (1,092,248) | (54,477) | N/A |
| 2020 | 2012 Municipal Sewage Works | 163,790 | (15,572) | N/A |
| | 2000 Municipal Water Utility | (91,746) | (94,501) | N/A |
| | 2010 Municipal Water Utility | (1,269,596) | 140,943 | N/A |
| 2021 | 2012 Municipal Sewage Works | 393,790 | N/A | 3,348,790 |
| | 2000 Municipal Water Utility | 3,254 | N/A | 3,254 |
| | 2010 Municipal Water Utility | (1,243,596) | N/A | (112,596) |
| 2022 | 2012 Municipal Sewage Works | 393,790 | N/A | - |
| | 2010 Municipal Water Utility | 743,668 | N/A | (2,668) |

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

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

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](#)."

TRANSFERS

Condition and Context

Transfers reported in the Annual Financial Report for 2019 were incorrect. Receipts in the amount of \$49,943 were misclassified as transfers in. In addition, transfers out in the amount of \$137,435 did not have corresponding transfers in due to receipt misclassification.

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](#)."

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal control system of the City related to financial transactions and reporting. The City had not established an effective internal control system to prevent, or detect and correct, material misstatements related to financial close and reporting.

The Clerk-Treasurer submitted, with the help of a consultant, financial and other information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which is the source of the Annual Financial Reports, financial statements, and other information. There was no documented evidence of a review, oversight, or approval process by the City prior to the submission into Gateway. The lack of an effective internal control system allowed for misstatements as reported in the above comments titled *ANNUAL FINANCIAL REPORT - OTHER INFORMATION* and *TRANSFERS*.

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:

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

"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. . . ."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The City certified on the Annual Financial Reports that it had adopted the minimum internal control standards as required by Indiana Code 5-11-1-27(g) and that all personnel defined by Indiana Code 5-11-1-27(c) had received training concerning the internal control standards adopted by the City. However, no documentation was provided indicating that internal control standards had been adopted or that personnel had received training concerning the internal control standards.

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](#)."

OFFICIAL RESPONSE

Date: 5-30-24

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

Re: Independent Auditors Report

In regards to the Concussion Check # 15938M +
W/H Checks # E 14461, M 14909, + M 155508 - I will
take full blame owing \$1479.77

But for the URT Check # 15479M + 16379M, these
belonged to an employee that I was having
trouble with doing her job - she was demoted
off this issue and she quit
These were Manual checks, so I didn't even see
them.

Please take this into consideration'

Thank You

Jina Elliott

CLERK-TREASURER
CITY OF DUNKIRK
EXIT CONFERENCE

The contents of this report were discussed on May 29, 2024, with Kara Lowe, Clerk-Treasurer; Jack Robbins, Mayor; Jesse Bivens, President of the Common Council; Christy Curts, Common Council member; and Donna Revolt, Common Council member.

The contents of this report were discussed on May 29, 2024, with Tina Elliott, former Clerk-Treasurer.

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COMMON COUNCIL
CITY OF DUNKIRK

COMMON COUNCIL
CITY OF DUNKIRK
AUDIT RESULT AND COMMENT

ADOPTION OF, AND TRAINING ON, INTERNAL CONTROL STANDARDS

Condition and Context

The City did not provide documentation that it had adopted the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts.

The City did not provide documentation that employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the City, had received training over internal control standards that was developed or approved by the Indiana State Board of Accounts.

Criteria

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

COMMON COUNCIL
CITY OF DUNKIRK
EXIT CONFERENCE

The contents of this report were discussed on May 29, 2024, with Kara Lowe, Clerk-Treasurer; Jack Robbins, Mayor; Jesse Bivens, President of the Common Council; Christy Curts, Common Council member; and Donna Revolt, Common Council member.

CITY OF DUNKIRK
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

| | Charges | Credits | Balance Due |
|--|-------------|---------|-------------|
| Tina Elliott, former Clerk-Treasurer: | | | |
| Penalties, Interest, and Other Charges, page 6 | \$ 2,405.72 | \$ - | \$ 2,405.72 |

This report was forwarded to the Office of the Indiana Attorney General.

AFFIDAVIT

STATE OF INDIANA)
Allen COUNTY)

We, Stacy A. Ross and Stephen R. Poor, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the City of Dunkirk, Jay County, Indiana, for the period from January 1, 2018 to December 31, 2022, is true and correct to the best of our knowledge and belief.

Stacy A. Ross
Stacy A. ROSS - Examiner

Stephen R. Poor
Field Examiner
Stephen R. Poor

Subscribed and sworn to before me this 11 day of June, 2021

Nina Marie Bosell
Notary Public

My Commission Expires: _____

County of Residence: _____

