

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF BUTLER

DEKALB COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED
11/06/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Angela M. Eck	01-01-22 to 12-31-24
Mayor	Mike Hartman	01-01-22 to 12-31-24
President of the Board of Public Works and Safety	Mike Hartman	01-01-22 to 12-31-24
President Pro Tempore of the Common Council	Eric Johnson Tracey Hawkins	01-01-22 to 12-31-23 01-01-24 to 12-31-24



STATE OF INDIANA
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TO: THE OFFICIALS OF THE CITY OF BUTLER, DEKALB COUNTY, INDIANA

This report is supplemental to the audit report of the City of Butler (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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

October 21, 2024

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COMMON COUNCIL
CITY OF BUTLER

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CITY OF BUTLER
AUDIT RESULT AND COMMENT

CONFLICT OF INTEREST

Condition and Context

It was identified that during the audit period the City had entered into related-party transactions with two vendors involving an elected official, Mayor Mike Hartman (Hartman). Hartman is considered a "public servant" per Indiana Code 35-31.5-2-261. With respect to Hartman Auto Body and M&S Auto Parts, Hartman is the owner of the entities, per a review of documents on file with the Indiana Secretary of State.

Based upon the circumstances, the Indiana State Board of Accounts would expect a conflict of interest disclosure for these related-party transactions to be filed. However, there was no evidence to support a conflict of interest disclosure was filed with the Indiana State Board of Accounts or the DeKalb County Clerk of the Circuit Court during the audit period that covered these matters. The related-party transactions in 2022 totaled \$1,738 to Hartman Auto Body and \$6,978 to M&S Auto Parts. Similar transactions in 2023 were covered by a conflict of interest disclosure. Additional subsequent period related-party transactions were identified, \$7,559 to M&S Auto Parts, in 2024, which were again not covered by a conflict of interest disclosure.

Criteria

Indiana Code 35-44.1-1-4(d) states in part:

"A disclosure must:

- (1) be in writing;
- (2) describe the contract or purchase to be made by the governmental entity;
- (3) describe the pecuniary interest that the public servant has in the contract or purchase;
- (4) be affirmed under penalty of perjury;
- (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity before final action on the contract or purchase;

COMMON COUNCIL
CITY OF BUTLER
AUDIT RESULT AND COMMENT
(Continued)

(6) be filed within fifteen (15) days after final action on the contract or purchase with:

(A) the state board of accounts; and

(B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."

Conflict of interest disclosures must be completed on Gateway. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

The attorney for the unit or a private attorney must be consulted in regard to whether a conflict of interest disclosure statement must be filed and whether the format of the disclosure is sufficient. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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. . . ."

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EXIT CONFERENCE

The contents of this report were discussed on October 21, 2024, with Angela M. Eck, Clerk-Treasurer; Mike Hartman, Mayor; Gale Ryan, Common Council member; William White, Common Council member; and Kristie Laub, Common Council member.