

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

**Paul D. Joyce, CPA
State Examiner**

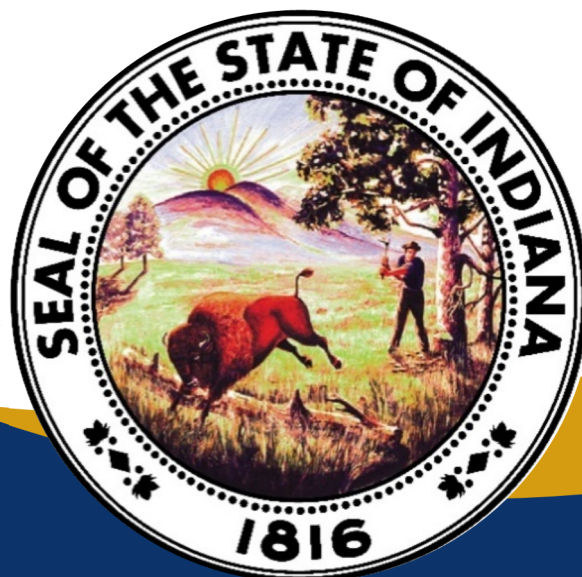
SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF BRAZIL

CLAY COUNTY, INDIANA

January 1, 2023 to December 31, 2024



FILED

05/20/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Karen McQueen	01-01-23 to 12-31-25
Mayor	Brian Wyndham	01-01-23 to 12-31-25
President of the Board of Public Works and Safety	Brian Wyndham	01-01-23 to 12-31-25
President Pro Tempore of the Common Council	Brad Deal	01-01-23 to 12-31-25
Utility Office Manager	Delores M. Elder	01-01-23 to 12-31-25



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INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE CITY OF BRAZIL, CLAY COUNTY, INDIANA

This report is supplemental to the audit report of the City of Brazil (City), for the period from January 1, 2023 to December 31, 2024. 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

May 5, 2025



CLERK-TREASURER
CITY OF BRAZIL

CLERK-TREASURER
CITY OF BRAZIL
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

A similar comment also appeared in prior Report 000001436S, entitled *ANNUAL FINANCIAL REPORT - FINANCIAL AND OTHER INFORMATION*.

Condition and Context

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units (Gateway) financial reporting system. As a result of the weakness in internal controls, the City's AFR, as of December 31, 2024, contained the following errors:

Capital Assets

Capital asset information entered into Gateway could not be verified due to several items found during testing of the capital asset listing that should have either been removed from or added to the list that were not. The City has chosen to omit the Schedule of Capital Assets from the Financial Statement Audit Report of the City.

Schedule of Leases and Debt

City Debt

- Several immaterial errors of omission and misstatement caused a total overstatement of \$552,648 to the ending principal balance, and a total overstatement of \$734,001 to the principal due within one year.

Water Utility Debt

- Several immaterial errors of omission and misstatement caused a total overstatement of \$312,901 to the ending principal balance, and a total overstatement of \$35,530 to the principal due within one year.

Waste Water Utility Debt

- The 2022 Sewer Bond ending principal balance was overstated by \$1,724,800 and the principal due within one year was overstated by \$150,600.

City Leases

- Omission of the 2016 Paving Lease caused an understatement of \$703,500 to the annual lease payment.

Water Utility Leases

- Omission of the 2017 F750 Water Distribution Truck Lease caused an understatement of \$15,617 to the annual lease payment.

Storm Water Utility Leases

- Omission of the 2023 Global Gutter Broom Lease caused an understatement of \$46,620 to the annual lease payment.

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

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.

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 as set forth in the uniform compliance guidelines. 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. . . ."

CAPITAL ASSETS

The same comment also appeared in prior Report 000001436S.

Condition and Context

Due to a lack of internal controls, the City did not properly maintain a complete detailed listing of capital assets owned. During testing of ten capital assets included in the capital listing, one was found to have been disposed of that should have been removed and was not. In the testing of ten capital assets that should have been removed or added to the listing during the year, three were found to not have been included that were purchased during the year. For these reasons, it was also determined that the City had not completed a physical inventory of capital assets at least every two years as required by its policy.

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

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)

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CONFLICT OF INTEREST

Condition and Context

In 2023 and 2024, Brian Bemis (Bemis) was employed by the City in the capacity of Street Superintendent. In 2023 and 2024, Dallas King, Jr. (King) was employed by the City in the capacity of Wastewater Superintendent. Both Bemis and King were, therefore, public servants for purposes of Indiana Code 35-31.5-2-261.

In 2023 and 2024, the City entered into contracts with entities owned by both Bemis and King for lawn care on various City properties.

With respect to Bemis, the City entered into a contract with Bemis Lawn Care in 2023 and 2024 to mow two parks. Bemis Lawn Care was paid \$36,000 for the services in 2023 and \$40,350 for the services in 2024. In both 2023 and 2024, Bemis was paid \$6,000 in advance of services performed. Prior to the Bemis contract (when first awarded in 2022), a nonemployee was contracted to perform the same services in 2021 at a rate of \$20,010. In 2022, Bemis was paid \$34,600, which is a 173 percent increase. The City also contracted Bemis Lawn Care in 2023 and 2024 for code enforcement mowing; the City paid Bemis Lawn Care \$12,000 in 2023 and 2024, for a total of \$24,000. In all, the City paid \$100,350 to Bemis Lawn Care for services rendered in 2023 and 2024.

CLERK-TREASURER
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AUDIT RESULTS AND COMMENTS
(Continued)

In light of the foregoing, the Indiana State Board of Accounts (SBOA) considers the payments made to Bemis, totaling \$100,350, to be questioned costs.

With respect to King, the City contracted with King Lawn Care for lawn maintenance services at the City's wastewater properties in 2023 and 2024. Under the 2023 contract, King Lawn Care was paid \$42,000, and \$39,000 under the 2024 contract. In total, the City paid \$81,000 to King Lawn Care for services rendered in 2023 and 2024. In 2024, a payment in January of \$10,000 and a payment in February of \$3,000 were made in advance of services performed. Prior to contracting with King, the City completed the lawn maintenance services in-house as part of the duties of the Wastewater Department.

In light of the foregoing, the SBOA considers the payments made to King, totaling \$81,000, to be questioned costs.

Under these facts, the SBOA would expect to receive a full and complete conflict of interest disclosure filed in each year that Bemis and King had contracts with the City for mowing and other services. Per a review of the Indiana Gateway for Government Units financial reporting system, neither Bemis nor King submitted conflict of interest disclosure forms with respect to the contracts and years at issue.

Criteria

Indiana Code 5-11-10-1.6 states in part:

"Payment of claims; requirements for issuance of warrant or check by fiscal officer . . .

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless all of the following apply:

- (1) There is a fully itemized invoice or bill for the claim.
- (2) The invoice or bill is approved by the officer or person receiving the goods and services.
- (3) The invoice or bill is filed with the governmental entity's fiscal officer.
- (4) The fiscal officer audits and certifies before payment that the invoice or bill is true and correct.
- (5) Payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim.

(d) Notwithstanding subsection (c), the following are permitted: . . .

- (4) A political subdivision (as defined in [IC 36-1-2-13](#)) may make advance payments for goods or services before the goods are delivered or services are completed if the fiscal body of the political subdivision authorizes making advance payments. If the fiscal body of the political subdivision authorizes making advance payments, the local fiscal officer or the local fiscal officer's designee must do all of the following when advance payments are made:
 - (A) Track prepayments by defining the prepayment on a purchase order.
 - (B) Create a prepayment invoice that is associated with the purchase order.

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

(C) Require insurance or a surety bond in the amount of the prepayment if the amount of the prepayment is more than one hundred fifty thousand dollars (\$150,000).

(e) Advance payments made under subsection (d)(3) or (d)(4) may not exceed the lesser of the following:

- (1) Fifty percent (50%) of the entire cost of the contract.
- (2) Two million dollars (\$2,000,000). . . ."

Indiana Code 35-44.1-1-4 states in part:

". . . (b) A public servant who knowingly or intentionally:

- (1) has a pecuniary interest in; or
- (2) derives a profit from;

a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Level 6 felony.

(c) It is not an offense under this section if any of the following apply: . . .

(6) A public servant makes a disclosure that meets the requirements of subsection (d) or (e) and is . . .

(B) appointed by an elected public servant;

(C) employed by the governing body of a school corporation and the contract or purchase involves the employment of a dependent or the payment of fees to a dependent;

(D) elected; or

(E) a member of, or a person appointed by, the board of trustees of a state supported college or university. . . .

(d) 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;

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CITY OF BRAZIL
AUDIT RESULTS AND COMMENTS
(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 . . ."

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:

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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. . . ."

Compensation and any other payments for goods and services must not be paid in advance of receipt of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
CITY OF BRAZIL
EXIT CONFERENCE

The contents of this report were discussed on May 5, 2025, with Karen McQueen, Clerk-Treasurer; Brian Wyndham, Mayor; Shane Litz, Common Council member; and Jill Bennett; Deputy Clerk-Treasurer.