

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF BLUFFTON

WELLS COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED

10/29/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Tamara D. Runyon Michelle Simon Briana Lautzenheiser	01-01-22 to 12-31-23 01-01-24 to 09-02-24 09-03-24 to 12-31-24
Mayor	John Whicker	01-01-22 to 12-31-24
President of the Board of Public Works and Safety	John Whicker	01-01-22 to 12-31-24
President Pro Tempore of the Common Council	Scott Mentzer	01-01-22 to 12-31-24
Utility Operations Manager	Jon S. Oman	01-01-22 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE CITY OF BLUFFTON, WELLS COUNTY, INDIANA

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

October 10, 2024

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CLERK-TREASURER
CITY OF BLUFFTON

CLERK-TREASURER
CITY OF BLUFFTON
AUDIT RESULTS AND COMMENTS

CAPITAL ASSETS

A similar comment appeared in prior Report B61129.

Condition and Context

The City had not designed or implemented internal controls over capital assets. The lack of internal controls allowed noncompliance to go undetected during the audit period.

The City did not have a complete detailed listing of capital assets during the audit period as the City's detailed listing of capital assets had not been updated since 2012. In addition, a complete physical inventory of capital assets was not completed as of December 31, 2022.

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)

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. . . ."

ANNUAL FINANCIAL REPORT

A similar comment appeared in prior Report B61129.

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. The City had not established internal controls over the information submitted in the AFR, which resulted in the following errors:

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

Leases and Debt

- The ending principal balance for the Electric Substation Bond Anticipation Note (BAN) was overstated by \$1,747,765 as of December 31, 2022.
- The SRF Bond/Loan 2014 and the SRF Bond/Loan 2016 were combined and presented as the SRF Bond/Loan. The combined ending principal balance and principal due within one year were overstated by \$116,863 and \$518,000, respectively, as of December 31, 2022.
- The City incorrectly presented the Wastewater Bond Anticipation Note with a presented ending principal balance of \$2,100,000 that had been paid off prior to December 31, 2022.
- The New Water Filtration Plant/SRF Loan ending principal balance and principal due within one year were overstated by \$256,209 and \$314,248, respectively, as of December 31, 2022.
- The City omitted the following debt items:

Description of Debt	Ending Principal Balance	Principal Due Within One Year
Redevelopment Commission Tax Increment Revenue Bonds 2018 (20/20 Project)	\$ 1,445,000	\$ 170,000
Redevelopment Commission Tax Increment Revenue Bonds 2019 (MidLand Project)	758,000	84,000
Redevelopment Commission Tax Increment Revenue Bonds 2020 (Premier Flats Project)	2,600,000	-
Redevelopment Commission Tax Increment Revenue Bonds 2021 (INTEVA Project)	3,200,000	-
Redevelopment Commission Tax Increment Revenue Bonds 2021 (RTT Project)	1,200,000	-
2022 Series A	12,681,000	2,000

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.

Capital Assets

The City did not provide documentation to support the capital assets information entered into Gateway. The financial reporting framework utilized by the City includes the option to present a Schedule of Capital Assets as Other Information in the Financial Statement Audit Report. The City has elected to not present this schedule.

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](#)."

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

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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CONFLICTS 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 City Council member, Rick Elwell (Elwell), and City Council and Board of Public Works and Safety member, Joshua Hunt (Hunt). Elwell and Hunt are considered a "public servant," per Indiana Code 35-31.5-2-261. With respect to Stylus Productions, LLC, Elwell served as the Vice President of the entity, per a review of documents on file with the Indiana Secretary of State. With respect to Craigville Appliance, LLC, Hunt served as President of the entity, per review of supporting documentation obtained.

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 Wells County Clerk of the Circuit Court during the audit period that covered these matters. The related-party transactions in 2022 totaled \$3,540 to Stylus Productions, LLC, and \$916 to Craigville Appliance, LLC.

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;

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

- (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;
- (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:

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CLERK-TREASURER
CITY OF BLUFFTON
EXIT CONFERENCE

The contents of this report were discussed on October 10, 2024, with Briana Lautzenheiser, Clerk-Treasurer; John Whicker, Mayor; and Scott Mentzer, President Pro Tempore of the Common Council.