

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF TERRE HAUTE

VIGO COUNTY, INDIANA

January 1, 2023 to December 31, 2023



**FILED**  
09/22/2024



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
City Controller:	
Audit Results and Comments:	
Annual Financial Report - Other Information .....	6-7
Overdrawn Cash Balances .....	7
Official Response.....	8
Exit Conference .....	9

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Leslie A. Ellis Jessica Thome	01-01-23 to 12-31-23 01-01-24 to 12-31-24
Mayor	Duke A. Bennett Brandon Sakbun	01-01-23 to 12-31-23 01-01-24 to 12-31-24
President of the Board of Public Works and Safety	Jon Stinson Marla Flowers	01-01-23 to 12-31-23 01-01-24 to 12-31-24
President of the Common Council	Curtis Debaun IV Tammy Boland	01-01-23 to 12-31-23 01-01-24 to 12-31-24
Utility Office Manager	Debra Padgett	01-01-23 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

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE CITY OF TERRE HAUTE, VIGO COUNTY, INDIANA

This report is supplemental to the audit report of the City of Terre Haute (City), for the period from January 1, 2023 to December 31, 2023. 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/](http://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

August 29, 2024

(This page intentionally left blank.)

CITY CONTROLLER  
CITY OF TERRE HAUTE

CITY CONTROLLER  
CITY OF TERRE HAUTE  
AUDIT RESULTS AND COMMENTS

**ANNUAL FINANCIAL REPORT - OTHER INFORMATION**

*Condition and Context*

Other information is 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:

*Federal Grants*

The COVID-19 - Coronavirus State and Local Fiscal Recovery Fund expenditures were omitted causing an understatement of \$11,564,217.

Adjustments were proposed, accepted by the City, and made to the entries reported in Gateway.

*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.

CITY CONTROLLER  
CITY OF TERRE HAUTE  
AUDIT RESULTS AND COMMENTS  
(Continued)

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. . . ."

**OVERDRAWN CASH BALANCES**

The same comment also appeared in prior Reports B59472, B60520, and 000001021S.

*Condition and Context*

The financial statement presented for audit included the following funds with overdrawn cash balances as of December 31, 2023:

Fund	Amount Overdrawn
Hulman Links Non-Reverting	\$ 5,297,709
Sanitary District Bond	3,612,682
Group Health Non-Reverting	1,408,615
Rea Park Non-Reverting	1,155,477

*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)



RE: Audit 2023 Material Findings

**Annual Financial Report – Other Information**

CITY OF TERRE HAUTE  
OFFICE OF THE  
CITY CONTROLLER

City Hall  
17 Harding Avenue  
Terre Haute, IN 47807  
Phone: 812.244.2363  
Fax: 812.244.2365  
www.terrehaute.IN.gov

Jessica Thome  
City Controller

In response to the 2023 audit finding of the absence of Coronavirus expenditures for Federal Grant Reporting, we would like to acknowledge the error and share the action plan that has already been put in place as of January 2024. As the new administration has taken over all city responsibilities, new procedures and checks and balances have been implemented to ensure all expenses are verified and reported. The controller will ensure all Coronavirus dollars are reported timely and accurately going forward.

**Overdrawn Cash Balances**

In response to the 2023 audit finding of the overdrawn cash balances of 4 city funds, we would like to acknowledge these negative balances and address each one individually as follows:

- Sanitary GO Bond – This bond has a negative cash balance of \$3,612,682 as of the end of 2023. We have corrected the amount of property tax distribution in the 2025 budget to ensure the balance of the bond will be positive at the end of fiscal year 2025.
- Group Health Non-Reverting – This fund has a negative cash balance of \$1,408,615 at the end of 2023. We have made a plan to analyze this fund alleviate further disproportionate revenue compared to expenditures being posted.
- Hulman Links Non-Reverting – This fund has a negative cash balance of \$5,297,709 as of the end of 2023. We are exploring alternative revenue streams to increase the balance towards zero. No timetable has been decided on. The city will explore privatization in the event that alternative revenues are not feasible.
- Rea Park Non-Reverting – This fund has a negative cash balance of \$1,155,477 as of the end of 2023. This golf course has been turning a profit for the last several years and is expected to continue growing in that positive direction. With current and future implementations of marketing and renovations, we expect a positive cash balance in 2027.

Thank you,  
City of Terre Haute



CITY CONTROLLER  
CITY OF TERRE HAUTE  
EXIT CONFERENCE

The contents of this report were discussed on August 29, 2024, with Jessica Thome, City Controller; Tammy Boland, President of the Common Council; and Brandon Sakbun, Mayor.