

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF TELL CITY

PERRY COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
11/26/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jenny S. Richter	01-01-12 to 12-31-15
Mayor	Barbara L. Ewing	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Barbara L. Ewing	01-01-12 to 12-31-15
President Pro Tempore of the Common Council	Gerald W. Yackle	01-01-13 to 12-31-14
Superintendent of Water Utility	R. Dale Poole	01-01-13 to 12-31-14
Superintendent of Wastewater Utility	Bruce W. Badger	01-01-13 to 12-31-14
Water/Wastewater Utility Office Manager	Janet K. Damin	01-01-13 to 12-31-14
Superintendent of Electric Utility	Marlow J. Smethurst	01-01-13 to 12-31-14
Electric Utility Office Manager	Lynne E. Rice	01-01-13 to 12-31-14



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 TELL CITY, PERRY COUNTY, INDIANA

This report is supplemental to our audit report of the City of Tell City (City), for the period from January 1, 2013 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the City, which provides our opinions on the City's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Finding, identified in the above referenced report, is included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

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 Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

September 29, 2014

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CLERK-TREASURER
CITY OF TELL CITY

CLERK-TREASURER
CITY OF TELL CITY
FEDERAL FINDING

***FINDING 2013-001 - CONTROLS OVER PREPARING THE
SCHEUDLE OF EXPENDITURES OF FEDERAL AWARDS***

The City did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted that the City had omitted \$249,241 in expenditures for the Economic Adjustment Assistance program from their SEFA. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operation, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

CLERK-TREASURER
CITY OF TELL CITY
FEDERAL FINDING
(Continued)

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

P.O. Box 515
Tell City, Indiana 47586
Telephone: 812-547-5511
Fax: 812-547-5111

City of Tell City

BARBARA EWING, MAYOR

Jenny Richter, Clerk-Treasurer

COUNCIL MEMBERS:

Tony Hollinden, At-Large
Chris Cail, Ward 1
Julie Kohnert, Ward 2
Gerald Yackle, Ward 3
Gary Morton, Ward 4

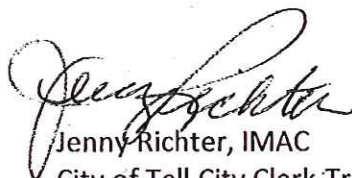
SEPTEMBER 29, 2014

**CORRECTIVE ACTION PLAN FOR THE CITY OF TELL CITY
FINDING 2013-001 – CONTROLS OVER PREPARING THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

The Clerk-Treasurer will work closely with the Mayor's Office on the checks and balances of revenue and expense reporting for all federal and state awards and grants. A spreadsheet will be utilized to track all grant receipts and expenses. Upon year end, the spreadsheet will provide the information to be reconciled with the grant funds and reported on the Schedule of Expenditures of Federal Awards via the Gateway system and reported to State Board of Accounts.

The Clerk-Treasurer will attend all state called meetings to learn of any new reporting requirements and may impact the Schedule of Expenditures of Federal Awards.

This Corrective Action Plan will be implemented immediately and ongoing.



Jenny Richter, IMAC
City of Tell City Clerk-Treasurer

CLERK-TREASURER
CITY OF TELL CITY
AUDIT RESULTS AND COMMENTS

OFFICIAL BOND RECORDED

The following official bond was not filed in the Office of the Perry County Recorder:

City of Tell City - Position Schedule Bond
Maurice Harpenau, Recreational Director - \$15,000
Cindy A. Cain, Co-Manager \$15,000
The Ohio Casualty Insurance Company
June 1, 2012 to June 1, 2014

Indiana Code 5-4-1-5.1(b) states in part:

"Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder in the county of residence of the officer, official, deputy, or employee. The county recorder and deputies and employees of the recorder shall file their bonds in the office of the clerk of the circuit court."

ORDINANCES AND RESOLUTIONS

The City has an ordinance concerning fees and penalties to be charged for trash collection. However, we noted that the City did not comply with its existing ordinance because they are charging a 10 percent penalty instead of a \$1 penalty as stated in the ordinance.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

P.O. Box 515
Tell City, Indiana 47586
Telephone: 812-547-5511
Fax: 812-547-5111

City of Tell City

BARBARA EWING, MAYOR

Jenny Richter, Clerk-Treasurer

COUNCIL MEMBERS:

Tony Hollinden, At-Large
Chris Cail, Ward 1
Julie Kohnert, Ward 2
Gerald Yackle, Ward 3
Gary Morton, Ward 4

October 6, 2014

State Board of Accounts
Attention: Lisa David
302 West Washington Street, Room E418
Indianapolis, IN 46204-2765

RE: Official Response – City of Tell City 2013 Audit

Dear Ms. David:

Please accept this letter in response to the Section II Finding for the City of Tell City's 2013 Audit. The City strongly disagrees with the Finding 2013-001 – Controls Over Preparing the Schedule of Expenditures of Federal Awards. We respectfully request that this letter be included with the final Audit Report.

The finding in question pertains to the Economic Adjustment Assistance program the City has utilized for the Revolving Loan Program since its inception with an initial award in 1984 and a subsequent award in 1989.

The funds received through the Economic Adjustment Assistance program were reported in the years the funds were received. The City, nor the State Board of Accounts Auditors, had any knowledge of the ongoing reporting requirements for the funds. The funds have been loaned out and 'revolved' over the last 30 years. No additional funding has been received from the Economic Development Administration through their Economic Adjustment Assistance program since 1989. While we now understand the reporting regulations, we respectfully express our concern that continuous annual reporting indicates additional federal funding is being received.

The City of Tell City is very proud of our long track record of successful audits. The Clerk Treasurer and Mayor's Office work very closely through-out the year on monitoring all federal and state awards. All funds are tracked on a spreadsheet and reviewed annually by the Indiana State Board of Accounts Auditor so that a determination can be made at the end of the year regarding the necessity of an A-133 Audit and the identification of a major program. The two offices work together with the Auditor to balance and reconcile each grant to be reported by the Clerk-Treasurer on the Schedule of Expenditures of Federal Awards through Gateway.

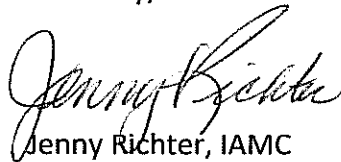
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RE: Official Response – City of Tell City 2013 Audit

Additionally, the Clerk-Treasurer and the Mayor attend state-called meetings to stay abreast of legislative changes, changes affecting the State Board of Accounts Accounting Manual and the Department of Local Government Finance. The City works diligently to conduct all programs, financial transactions, and reporting requirements at the highest standard.

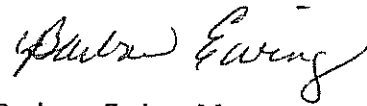
This issue, which apparently has impacted other municipalities in the State, was due to a lack of education. It should not reflect on the integrity of our internal controls. It is our position that the City should be allowed to correct the reporting issue on the 2013 audit report and the Section II Finding be removed. We respectfully ask your consideration.

Sincerely,



Jenny Richter, IAMC
City of Tell City Clerk-Treasurer

Sincerely,



Barbara Ewing, Mayor
City of Tell City

CLERK-TREASURER
CITY OF TELL CITY
EXIT CONFERENCE

The contents of this report were discussed on September 29, 2014, with Barbara L. Ewing, Mayor; Jenny S. Richter, Clerk-Treasurer; Janice Hackbarth, Administrative Assistant; and Gerald W. Yackle, President Pro Tempore of Common Council.

POLICE DEPARTMENT
CITY OF TELL CITY

POLICE DEPARTMENT
CITY OF TELL CITY
AUDIT RESULT AND COMMENT

PRESCRIBED FORMS

The Indiana State Board of Accounts is responsible for prescribing and/or approving the accounting forms/records for all governmental units. The Tell City Police Department did not use consecutively numbered receipt forms.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

POLICE DEPARTMENT
CITY OF TELL CITY
EXIT CONFERENCE

The contents of this report were discussed on July 28, 2014, with Barbara L. Ewing, Mayor; Jenny S. Richter, Clerk-Treasurer; Gerald W. Yackle, President Pro Tempore of Common Council; Greg Hendershot, Police Chief; and Pam Wittman, Police Department Bookkeeper.

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WASTEWATER UTILITY
CITY OF TELL CITY

WASTEWATER UTILITY
CITY OF TELL CITY
AUDIT RESULT AND COMMENT

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

(1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:

(A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.

(B) A description of the premises, as shown by the records of the county auditor.

(C) The amount of the delinquent fees, together with the penalty.

(2) An individual instrument for each lot or parcel of real property on which the fees are delinquent.

(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . .

(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May."

WASTEWATER UTILITY
CITY OF TELL CITY
EXIT CONFERENCE

The contents of this report were discussed on July 28, 2014, with Barbara L. Ewing, Mayor; Jenny S. Richter, Clerk-Treasurer; Gerald W. Yackle, President Pro Tempore of Common Council; Bruce W. Badger, Superintendent of Wastewater Utility; and Janet K. Damin, Water/Wastewater Utility Office Manager.

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ELECTRIC UTILITY
CITY OF TELL CITY

ELECTRIC UTILITY
CITY OF TELL CITY
AUDIT RESULT AND COMMENT

SUPPORTING DOCUMENTATION

It was noted that one electric utility bill did not include supporting documentation to support the \$10 per month customer contract charge.

Due to the lack of supporting information, validity of this fee could not be verified.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ELECTRIC UTILITY
CITY OF TELL CITY
EXIT CONFERENCE

The contents of this report were discussed on July 28, 2014, with Barbara L. Ewing, Mayor; Jenny S. Richter, Clerk-Treasurer; Gerald W. Yackle, President Pro Tempore of Common Council; Marlow J. Smethurst, Superintendent of Electric Utility; and Lynne E. Rice, Electric Utility Office Manager.