

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF SEYMOUR

JACKSON COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
05/23/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Fred D. Lewis	01-01-12 to 12-31-19
Mayor	Craig Luedeman	01-01-12 to 12-31-19
President of the Board of Public Works and Safety	Craig Luedeman	01-01-14 to 12-31-17
President Pro Tempore of the Common Council	James W. Rebber	01-01-14 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF SEYMOUR, JACKSON COUNTY, INDIANA

This report is supplemental to our audit report of the City of Seymour (City), for the period from January 1, 2014 to December 31, 2014. 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 audit 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 Finding 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

April 5, 2017

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CLERK-TREASURER
CITY OF SEYMOUR

CLERK-TREASURER
CITY OF SEYMOUR
FEDERAL FINDING

**FINDING 2014-001 - PREPARATION OF THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS**

Condition

The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The City prepared and submitted the SEFA without effective controls to ensure its accuracy before submission. There were the following errors:

1. The federal expenditures for five programs were incorrectly reported resulting in the SEFA being overstated by \$4,169,462.
2. Six grants contained the wrong program name.
3. One grant was incorrectly omitted.
4. Four grants listed the wrong pass-through entity identifying number.
5. Eight grants were incorrectly listed as pass-through to subrecipients.
6. Five grants did not correctly identify the pass-through entity.

Audit adjustments were proposed, accepted by the City, and made to the SEFA.

Criteria

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. . . ."

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 § .310."

CLERK-TREASURER
CITY OF SEYMOUR
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."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



City of Seymour

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Mayor
CRAIG LUEDEMAN

Clerk-Treasurer
FRED D LEWIS

City Council Members
JOHN J. REINHART

BRIAN D'ARCO

MATT NICHOLSON

JAMES W. REBBER

DAVID EARLEY

LLOYD G. HUDSON

SHAWN MALONE

CORRECTIVE ACTION PLAN

Finding 2014-001

Contact person Responsible for Corrective action

Fred Lewis, Clerk-Treasurer

Contact Phone Number: (812) - 523-5881

Views of Responsible Official

Most of the grant the city receives, if not all, are applied for directly by the department head of the department obtaining the grant. Our office is only involved receipting the monies in our grant holding fund and disbursing out when claims for such are received.

Description of Corrective Action Plan

When receiving such grants we will work with the department head receiving a grant (s) to put better internal controls in place to properly record the receipt and disbursement of said funds with awareness to both offices.

Anticipated Completion date:

I feel this will be an ongoing process as long as departments receive grants.

Clerk-Treasurer

March 17, 2017

CLERK-TREASURER
CITY OF SEYMOUR
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The financial statements presented for audit included the following funds with overdrawn cash balances at December 31, 2014:

Fund	Amount Overdrawn
Payroll-Federal W/H	\$ 134
Payroll-PERF	129
VSP Vision Insurance	8,685
Payroll-IND. Fire Pension	235
Payroll-AFLAC	7
Net Payroll	8,313
Ameritas Life Ins Corp. (Dental)	19,400
AFLAC/CAIC	620
MetLife Dental	7,845

A similar comment appeared in prior Report B45128.

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)

CLERK-TREASURER
CITY OF SEYMOUR
EXIT CONFERENCE

The contents of this report were discussed on April 5, 2017, with Fred D. Lewis, Clerk-Treasurer; Craig Luedeman, Mayor; and James W. Rebber, President Pro Tempore of the Common Council.

COMMON COUNCIL
CITY OF SEYMOUR

COMMON COUNCIL
CITY OF SEYMOUR
AUDIT RESULT AND COMMENT

COLLECTION OF FINES FOR MOVING TRAFFIC VIOLATIONS

As stated in the six prior reports, the City collected fines for ordinance violations through an Ordinance Violations Bureau established in accordance with Indiana Code 33-36. If a citizen waived their right to a trial, the City collected and retained the fine. We again noted instances where the City collected and retained fines for moving traffic violations through the Ordinance Violations Bureau rather than through a county, city, or town court as required by statute.

Indiana Code 36-1-6-3(c) states: "An ordinance defining a moving traffic violation may not be enforced under IC 33-36 and must be enforced in accordance with IC 34-28-5."

The accounts of each public official and public office should reflect the proper treatment of fines collected for moving traffic violations as required by Indiana Code § 36-1-6-3(c), Indiana Code Ch. 34-28-5, and this Directive. Failure to do so will result in a civil action against those public officials who are responsible for the improper enforcement and collection of fines for moving traffic violations as allowable by law. (State Examiner Directive 2015-1)

COMMON COUNCIL
CITY OF SEYMOUR
EXIT CONFERENCE

The contents of this report were discussed on April 5, 2017, with James W. Rebber, President Pro Tempore of the Common Council; Craig Luedeman, Mayor; and Fred D. Lewis, Clerk-Treasurer.