

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF WINCHESTER

RANDOLPH COUNTY, INDIANA

January 1, 2013 to December 31, 2016



FILED
12/15/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Vicki Haney	01-01-12 to 12-31-19
Mayor	Steven D. Croyle Shon I. Byrum	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Steven D. Croyle Shon I. Byrum	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President Pro Tempore of the Common Council	Todd Schroeder Tom Sells	01-01-12 to 12-31-15 01-01-16 to 12-31-17
Superintendent of Wastewater Utility	Christopher Martin	01-01-13 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF WINCHESTER, RANDOLPH COUNTY, INDIANA

This report is supplemental to our examination report of the City of Winchester (City), for the period from January 1, 2013 to December 31, 2016. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statements Examination Report of the City, which provides our opinion on the City's financial statements. 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 Examination 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 Examination Results and Comments, incorporated within this report, was not verified for accuracy.

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

December 14, 2017

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CLERK-TREASURER
CITY OF WINCHESTER

CLERK-TREASURER
CITY OF WINCHESTER
EXAMINATION RESULTS AND COMMENTS

INTERNAL CONTROLS

The Clerk-Treasurer prepared and submitted the financial information into the Indiana Gateway for government units (Gateway) financial system, which is the source of the Annual Financial Report (AFR) and financial statement. The City did not have effective controls to verify the accuracy of the financial information prior to submission.

The City's bank reconciliations were prepared by the Clerk-Treasurer. There were no controls in place to provide an oversight, review, or approval process of the bank reconciliations.

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 comparison of AFRs to the records indicated the AFRs for 2013, 2014, 2015, and 2016 did not agree with the records. There were funds excluded from the AFRs but included in the City's records, funds included in the AFRs but excluded from the City's records and funds excluded from both the AFR and the City records. Adjustments to the financial statements were proposed and approved by the City.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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."

BANK ACCOUNT RECONCILIATIONS

The bank account reconciliations were not properly prepared. The total of the individual outstanding checks did not agree with the outstanding check totals noted on the bank reconciliations for 2013, 2014, and 2015.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

City of Winchester

Vicki Haney, IAMC/CMC
Clerk-Treasurer
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Winchester, Indiana 47394
Phone - 765. 584.1351 ext. 2300
Fax 765.584.6171

December 14, 2017

Mr. Paul D. Joyce, State Examiner
Indiana State Board of Accounts
302 West Washington Street 4th Floor, Room E418
Indianapolis, IN 46204-2765

Dear Mr. Joyce:

The Indiana State Board of Accounts recently presented their audit results and comments for the City of Winchester, Indiana, Clerk-Treasurer. I would like to take this opportunity to respond to their findings by outlining the course of action I will follow to resolve the issues raised by the examiners:

Internal Controls:

Finding: The City did not have effective controls to verify the accuracy of the financial information prior to submission.

The City's bank reconcilements were prepared by the Clerk-Treasurer. There were no controls in place such as an oversight, review, or approval process of the bank reconcilements.

Response: I have an office staff of two full time employees who are cross trained in fund accounting and payroll. I and my staff diligently review reporting and input information into the Indiana Gateway financial system, which is the source of the Annual Financial Report (AFR). I am committed to improving segregation of duties. In the future, I will be more cognizant of the verification processes. When I and my staff prepare the AFR written signatures will be on hard copies and filed with the AFR.

Annual Financial Report:

Finding: A comparison of the Gateway Annual Financial Reports to the records indicated the Annual Financial Reports for 2013, 2014, 2015 and 2016 did not agree with the records. There were funds excluded from the Annual Financial Reports but included in the City's records, funds included in the Annual Financial Reports but excluded from the City's records and funds excluded from both the Annual Financial Report and the City records.

Response: Over the years for 2013, 2014, 2015 and 2016 the City of Winchester has done numerous projects within in four consolidated Tax Increment Financing (TIF) districts. As Clerk-Treasurer, I was not always included in the financial discussion of these projects. The funds were held offsite. Although bank statements were issued and reconciled the funds were not

included in City's fund accounting. In the future the offsite funds will be added to the City's fund accounting and I will improve reporting the funds on the APR.

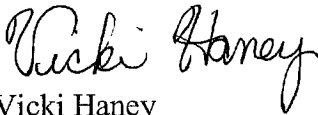
Finding: Amounts reported in the Payroll fund on the APR were obtained from the bank statement activity rather than actual activity from the ledger. The reports received to support these amounts did not agree to the bank statement activity for 2013, 2014, 2015 and 2016.

Response: I am confident the bank statement activity and the ledger did agree; however in the future, I will be committed to providing documentation to support these amounts.

Finding: The total of the individual outstanding checks did not agree with the outstanding check totals noted on the bank reconcilements for 2013, 2014 and 2015.

Response: The City's bank accounts are reconciled to the penny every month. A balance sheet and bank reconciliation are submitted monthly to the City Council and The Board of Public Works and Safety. In the future I will be more cognizant of outstanding check report accompanying the monthly bank reconciliation report.

Respectfully,



Vicki Haney
Clerk-Treasurer

CLERK-TREASURER
CITY OF WINCHESTER
EXIT CONFERENCE

The contents of this report were discussed on December 14, 2017, with Vicki Haney, Clerk-Treasurer; Shon I. Byrum, Mayor; and Tom Sells, President Pro Tempore of the Common Council.