

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF ELWOOD

MADISON COUNTY, INDIANA

January 1, 2013 to December 31, 2016



FILED
12/15/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Examination Results and Comments:	
Internal Controls - Annual Financial Report.....	6
Appropriations	6-7
Annual Financial Report.....	7
Official Response.....	8-9
Exit Conference	10
City Council:	
Examination Result and Comment:	
Appropriations	12
Exit Conference	13
City Court:	
Examination Result and Comment:	
Clerk's Trust Items over Five Years Old	16
Exit Conference	17

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Allison M. Atwood	01-01-12 to 12-31-19
Mayor	Ronald E. Arnold Don Tucker Todd Jones	01-01-12 to 03-09-15 03-10-15 to 12-31-15 01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Ronald E. Arnold Don Tucker Todd Jones	01-01-12 to 03-09-15 03-10-15 to 12-31-15 01-01-16 to 12-31-19
President Pro Tempore of the Common Council	Timothy A. Roby Todd Jones Timothy A. Roby	01-01-13 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-17
Utility Office Manager	Lenora R. Tomlinson	01-01-13 to 12-31-17
Judge	Kyle F. Noone	01-01-12 to 12-31-19



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

TO: THE OFFICIALS OF THE CITY OF ELWOOD, MADISON COUNTY, INDIANA

This report is supplemental to our examination report of the City of Elwood (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

(This page intentionally left blank.)

CLERK-TREASURER
CITY OF ELWOOD

CLERK-TREASURER
CITY OF ELWOOD
EXAMINATION RESULTS AND COMMENTS

INTERNAL CONTROLS - ANNUAL FINANCIAL REPORT

During the audit period of January 1, 2013 through December 31, 2016, the City did not have internal controls in place over the Annual Financial Report (AFR). The City had not separated incompatible activities related to financial close and reporting. The Clerk-Treasurer prepared the AFR, but it was not reviewed by any other employee or official. The failure to establish these controls could enable material misstatements to be undetected.

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. . . ."

APPROPRIATIONS

A similar comment also appeared in prior Report B43102, entitled *APPROPRIATIONS*.

The records presented indicated that the Clerk-Treasurer paid claims out of the following funds without a sufficient appropriation balance, as shown in the following schedule.

Fund	Year	Excess Amount Expended
Municipal Complex Lease Fund	2013	\$ 1,882
Park & Recreation (Pool) Fund	2013	28,500
Capital Improvement Bond	2013	69
Municipal Complex Lease Fund	2014	80,000
Capital Improvement Bond	2014	15,000
Capital Improvement Bond	2016	161,000

CLERK-TREASURER
CITY OF ELWOOD
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 36-4-8-2 states in part:

"Money may be paid out of the city treasury only on warrant of the city fiscal officer. Unless a statute provides otherwise, the fiscal officer may draw a warrant against a fund of the city only if:

- (1) an appropriation has been made for that purpose and the appropriation is not exhausted . . ."

ANNUAL FINANCIAL REPORT

A similar comment appeared in prior Report B43102, entitled *ANNUAL REPORT*.

The Annual Financial Reports (AFR) submitted by the City for 2013 through 2016 contained errors and did not match the records of the City. Wastewater State Revolving Fund Loan construction detail was not reported, a bank transfer was incorrectly reported in the Wastewater Debt Service funds activity, and the Self Insurance Reserve fund balances and activity was incorrectly reported.

The following schedule details adjustments accepted by the management of the City to the receipts, disbursements, and balances of five different funds:

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13	Receipts	Disbursements	Cash and Investments 12-31-14
Self Insurance Reserve	\$ 76,907	\$ 187	\$ 82,796	\$ (5,702)	\$ -	\$ (5,702)	\$ -
Wastewater Revenue Fund	-	-	-	-	-	(353,688)	353,688
Wastewater Bond & Interest Fnd	-	-	-	-	-	(36,801)	36,801
Wastewater Construction Fund	-	-	-	-	1,014,036	1,014,036	-
Wastewater Debt Reserve Fund	-	-	-	-	-	(75,168)	75,168

Fund	Cash and Investments 01-01-15	Receipts	Disbursements	Cash and Investments 12-31-15	Receipts	Disbursements	Cash and Investments 12-31-16
Self Insurance Reserve	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wastewater Revenue Fund	353,688	(9,625)	-	344,063	(53,375)	-	290,688
Wastewater Bond & Interest Fnd	36,801	(45,500)	-	(8,699)	-	-	(8,699)
Wastewater Construction Fund	-	3,397,019	3,397,019	-	3,175,092	3,175,092	-
Wastewater Debt Reserve Fund	75,168	-	-	75,168	-	-	75,168

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."

City of Elwood

1505 South B Street • Elwood, Indiana 46036-2020
(765) 552-5076 • (765) 552-5718 Fax



State Examiner
State Board of Accounts
302 West Washington Street
Room E 418
Indianapolis, IN
46204-2765

Re: Official Response

Lisa David and State Examiners:

Having recently received the presentation of the results and comments regarding the audit for the City of Elwood, I would like to take this opportunity to respond to the findings of the audit.

Findings

Internal Controls – Gateway Annual Report: During the audit period of January 1, 2013 – December 31, 2016, the City did not have internal controls in place over the Annual Financial Report.

Response

The Deputy Clerk-Treasurer will provide a written certification that she reviewed the final annual report before it is submitted into gateway by myself, the Clerk-Treasurer.

Findings

Appropriations – The records presented indicated that the Clerk-Treasurer paid claims out of the following funds without a sufficient appropriation balance, as shown the following schedule (schedule is presented in the clerk-treasurer examination results and comments).

Response

The appropriations that were paid out of funds without sufficient appropriation balance, were not over spending the amount of money in the different funds. The cash money was available in the funds, but the additional appropriations were not able to be located while the State Board of Account Auditors were completing the audit.

Findings

AFR – AFR submitted by the City for 2013-2016, contained errors and did not match the records of the City.

Response

The City of Elwood is a self-insurance insurance group. The self-insured insurance group received monies from the City of Elwood to fund premiums and claims from hospitals and doctor's offices. The money was being held with our self-insurance fund at the office site for the administrators to pay claims and bills. The amount at the administrator's bank cash balance was left off the AFR in error. The four wastewater funds as described were also left off the AFR in error. These accounts are located at the Bank of New York and distribute money to wastewater contractors during projects. The loan works with the State Revolving Loan Fund and are not located at the City of Elwood normal banks.

I would like to take this time as the City of Elwood's Clerk-Treasurer, to thank the auditors for their time and expertise in conducting the audit for our citizen's and myself.

Respectfully,



Allison M. Atwood
City of Elwood
Clerk-Treasurer
1505 South B Street
Elwood, IN 46036

CLERK-TREASURER
CITY OF ELWOOD
EXIT CONFERENCE

The contents of this report were discussed on December 14, 2017, with Allison M. Atwood, Clerk-Treasurer; Todd Jones, Mayor; John Wright, Common Council member; and Kelli Boyland, Board of Public Works and Safety member.

COMMON COUNCIL
CITY OF ELWOOD

COMMON COUNCIL
CITY OF ELWOOD
EXAMINATION RESULT AND COMMENT

APPROPRIATIONS

A similar comment also appeared in prior Report B43102, entitled *APPROPRIATIONS*.

The records presented indicated that claims were approved for payment out of the following funds in excess of the appropriation balance.

Fund	Year	Excess Amount Expended
Municipal Complex Lease Fund	2013	\$ 1,882
Park & Recreation (Pool) Fund	2013	28,500
Capital Improvement Bond	2013	69
Municipal Complex Lease Fund	2014	80,000
Capital Improvement Bond	2014	15,000
Capital Improvement Bond	2016	161,000

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

COMMON COUNCIL
CITY OF ELWOOD
EXIT CONFERENCE

The contents of this report were discussed on December 14, 2017, with Allison M. Atwood, Clerk-Treasurer; Todd Jones, Mayor; John Wright, Common Council member; and Kelli Boyland, Board of Public Works and Safety member.

(This page intentionally left blank.)

CITY COURT
CITY OF ELWOOD

CITY COURT
CITY OF ELWOOD
EXAMINATION RESULT AND COMMENT

CLERK'S TRUST ITEMS OVER FIVE YEARS OLD

The same comment also appeared in prior Reports B34922, B37105, B39018, B40717, and B43096.

Our review of trust items on hand revealed that items had been on hand for a period of five years or longer totaling \$9,604 at December 31, 2016. The Clerk had not implemented policies and procedures for reporting unclaimed property and remitting that property to the Attorney General after the five year holding period.

Indiana Code 32-34-1-20(c) states in part:

"Property that is held, issued, or owed in the ordinary course of a holder's business is presumed abandoned if the owner or apparent owner has not communicated in writing with the holder concerning the property or has not otherwise given an indication of interest in the property during the following times: . . .

- (6) For property or proceeds held by a court or a court clerk, five (5) years after the property or proceeds become distributable. The property or proceeds must be treated as unclaimed property under IC 32-34-3."

Indiana Code 32-34-1-26(a) states:

"A holder of property that is presumed abandoned and that is subject to custody as unclaimed property under this chapter shall report in writing to the attorney general concerning the property. Items of value of less than fifty dollars (\$50) may be reported by the holder in the aggregate."

Indiana Code 32-34-1-27(a) states:

"Except as provided in subsections (b) and (c), on the date a report is filed under section 26 of this chapter, the holder shall pay or deliver to the attorney general the property that is described in the report as unclaimed."

CITY COURT
CITY OF ELWOOD
EXIT CONFERENCE

The contents of this report were discussed on December 14, 2017, with Kyle F. Noone, Judge, and Denise Kessinger, Court Administrator.