

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF WOODBURN

ALLEN COUNTY, INDIANA

January 1, 2013 to December 31, 2016



FILED
01/19/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Examination Results and Comments:	
Annual Financial Report/Condition of Records	6
Internal Controls	7
Capital Asset Records	7
Exit Conference	8

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Holly Sarrazine Timothy J. Cummins	01-01-12 to 12-31-15 01-01-16 to 12-31-19
Mayor	Richard Hoeppe Joseph F. Kelsey	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Richard Hoeppe Joseph F. Kelsey	01-01-13 to 12-31-15 01-01-16 to 12-31-17
President Pro Tempore of the Common Council	Richard Hoeppe Joseph F. Kelsey	01-01-13 to 12-31-15 01-01-16 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF WOODBURN, ALLEN COUNTY, INDIANA

This report is supplemental to our examination report of the City of Woodburn (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 5, 2017

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CLERK-TREASURER
CITY OF WOODBURN

CLERK-TREASURER
CITY OF WOODBURN
EXAMINATION RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT/CONDITION OF RECORDS

The City prepared their Gateway Annual Financial Report (AFR) for the years 2013 through 2016 with amounts obtained from the City's Revenue and Expenditure Guideline Reports. Many adjustments and transfers were posted by the Clerk-Treasurer to the Cash Accounts in their accounting software that were not included in the Revenue and Expenditure Guideline Reports.

The AFRs filed on the Gateway System from 2013 to 2016 did not match the City's Revenue and Expenditure Guidelines. Over the four year examination period, both receipts and disbursements were underreported by \$184,445 in the Gateway AFR's when compared to the City's Revenue and Expenditure Guideline Reports.

Transfers were approved by the Common Council that totaled \$99,188 made during 2013 and \$43,845 during 2014 that were not recorded in the Gateway AFR's Transfer Schedule.

In 2013 and 2014, the City did not report the Payroll Fund on the AFR.

Adjustments proposed by the State Board of Accounts were accepted by the Clerk Treasurer.

The Schedule of Payables and Receivables was not included in the examination report because of lacking supporting documentation.

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."

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

INTERNAL CONTROLS

The City had not established sufficient internal controls over financial reporting. The Clerk-Treasurer entered applicable financial information into the Gateway reporting system to complete the AFR and there were no reviews or approvals of the information after it was entered by someone other than the Clerk-Treasurer to ensure the accuracy of the report.

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. . . ."

CAPITAL ASSET RECORDS

Subsidiary records of capital assets for the governmental activities of the City were not presented for examination and the subsidiary records for the Wastewater Utility needed to be updated for the construction project that was capitalized during the examination period.

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Town, Chapter 1)

CLERK-TREASURER
CITY OF WOODBURN
EXIT CONFERENCE

The contents of this report were discussed on December 5, 2017, with Timothy J. Cummins, Clerk-Treasurer; Joseph F. Kelsey, Mayor; and Mike Voirol, Council member at large.