

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF WHITING

LAKE COUNTY, INDIANA

January 1, 2015 to December 31, 2017



FILED
06/07/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	John T. Haynes	01-01-15 to 12-31-19
Mayor	Joseph M. Stahura	01-01-15 to 12-31-19
President of the Board of Public Works	Joseph M. Stahura	01-01-15 to 12-31-19
President Pro Tempore of the Common Council	Chris Sarvanidis	01-01-15 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF WHITING, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the City of Whiting (City), for the period from January 1, 2015 to December 31, 2017. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statements Audit Report of the City, which provides our opinions 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 established by the Indiana State Board of Accounts. The Audit Result and Comment contained herein describes the identified reportable instance of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, non-compliance may exist that is unidentified.

Any Official Response to the Audit Result and Comment, incorporated within this report, was not verified for accuracy.

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

May 3, 2018

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CLERK-TREASURER
CITY OF WHITING

CLERK-TREASURER
CITY OF WHITING
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

There were deficiencies in the internal control system for the City related to financial transactions and reporting. The City had not separated incompatible activities related to receipts, payroll disbursements, and financial reporting.

Receipts

Employees recorded and reconciled the receipts without evidence of an oversight, review, or approval process.

Payroll Disbursements

One employee prepared and recorded the payroll disbursements and created a payroll journal without evidence of an oversight, review, or approval process.

Financial Reporting

The Clerk-Treasurer prepared and submitted the financial information into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report and the financial statements. There was no evidence of an oversight, review, or approval process to ensure that the information was accurate prior to submission.

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. . . ."



MEMORANDUM

To: State Board of Accounts
From: John Haynes, Clerk-Treasurer
RE: OFFICIAL RESPONSE
DATE: May 4, 2018

This memo is in response to the State Board of Accounts findings on internal controls.

We concur with the deficiencies noted concerning internal controls.

Receipts: I have immediately implemented a control so that the person that did not perform the balancing is reviewing and verifying the receipting for the day is correct. The person will sign off on the daily balancing report once the bank validated deposit ticket is received from the bank.

Payroll Disbursements: The Clerk-Treasurer or another designated employee other than the payroll clerk is reviewing the payroll journal and signing off indicated that it was reviewed for completeness and accuracy. The signed off payroll journal will be kept in the Deputy Clerks payroll folder for the year.

Financial Reporting: An employee other than the employee preparing the annual report will review and approve that the information is accurate, complete and sign off on the annual report. A copy of the sign off will be kept in the annual report folder for review by SBOA.

City of Whiting

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CLERK-TREASURER
CITY OF WHITING
EXIT CONFERENCE

The contents of this report were discussed on May 3, 2018, with John T. Haynes, Clerk-Treasurer; Joseph M. Stahura, Mayor; and Chris Sarvanidis, President Pro Tempore of the Common Council.