

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF HUNTINGTON

HUNTINGTON COUNTY, INDIANA

January 1, 2017 to December 31, 2017



FILED
06/20/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Police Department:	
Audit Results and Comments:	
Misappropriation of Public Funds.....	6
Internal Controls.....	7
Exit Conference	8

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Christi A. McElhaney	01-01-16 to 12-31-19
Mayor	Brooks L. Fetters	01-01-16 to 12-31-19
Chief of Police	Chad Hacker	01-01-17 to 12-31-18
President of the Board of Public Works and Safety	Brooks L. Fetters	01-01-16 to 12-31-19
President Pro Tempore of the Common Council	Joseph E. Blomeke Charles E. Chapman	01-01-17 to 01-01-17 01-01-18 to 12-31-18
Utility Services Coordinator	Marilyn K. Ratliff	01-01-17 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF HUNTINGTON, HUNTINGTON COUNTY, INDIANA

This report is supplemental to our audit report of the City of Huntington (City), for the period from January 1, 2017 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 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/.

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 Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

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

May 10, 2018

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POLICE DEPARTMENT
CITY OF HUNTINGTON

POLICE DEPARTMENT
CITY OF HUNTINGTON
AUDIT RESULTS AND COMMENTS

MISAPPROPRIATION OF PUBLIC FUNDS

The City failed to immediately report misappropriation (theft) of public funds to the Indiana State Board of Accounts (SBOA) as required by state statute. A written notice of the theft was never sent to the SBOA; verbal notice was given to Field Examiners on site approximately one year after the theft was discovered.

Amy Wagner (Wagner), Office Manager in the City's Police Department from May 20, 2002 to August 3, 2017, performed clerical and bookkeeping functions. In early 2017, the Police Department became suspicious and tracked cash in the drawer by making copies of individual dollar bills. Wagner later used these same bills to pay personal rent to the Police Athletic League. Wagner resigned when she was confronted for the misappropriation (theft) of public funds.

The Police Department contacted the State Police to investigate and their report was sent to the Adams County Prosecutor who filed criminal charges. Per the City Police Chief, Wagner agreed to a deferral program. The Police Chief believes that a dollar amount of the theft was not determinable since receipts were not issued for these collections.

Indiana Code 5-11-1-27(l) states:

"A public officer who has actual knowledge of or reasonable cause to believe that there has been a misappropriation of public funds or assets of the public office, including:

- (1) information obtained as a result of a police report;
- (2) an internal audit finding; or
- (3) another source indicating that a misappropriation has occurred;

shall immediately send written notice of the misappropriation to the state board of accounts and the prosecuting attorney serving in the area governed by the political subdivision."

POLICE DEPARTMENT
CITY OF HUNTINGTON
AUDIT RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS

There were deficiencies in the internal control system related to cash receipts at the Police Department. These deficiencies contributed to Wagner's ability to misappropriate unrecorded cash receipts. The City modified and implemented updated internal control policies and procedures to prevent a recurrence of the problem.

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. . . ."

POLICE DEPARTMENT
CITY OF HUNTINGTON
EXIT CONFERENCE

The contents of this report were discussed on May 10, 2018, with Christi A. McElhaney, Clerk-Treasurer; Brooks L. Feters, Mayor; Charles E. Chapman, President Pro Tempore of the Common Council; Joseph E. Blomeke, Common Council member; Marilyn K. Ratliff, Utility Services Coordinator; and Chad Hacker, Chief of Police.