

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF WABASH

WABASH COUNTY, INDIANA

January 1, 2015 to December 31, 2015



**FILED**

06/28/2018



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Wendy D. Frazier	01-01-12 to 12-31-19
Mayor	Robert E. Vanlandingham Scott A. Long	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Robert E. Vanlandingham Scott A. Long	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President Pro Tempore of the Common Council	James W. Wenrich Douglas R. Konkle Bryan W. Dillon Douglas E. Adams Eric E. Schoening	01-01-15 to 01-11-15 01-12-15 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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TO: THE OFFICIALS OF THE CITY OF WABASH, WABASH COUNTY, INDIANA

This report is supplemental to our audit report of the City of Wabash (City), for the period from January 1, 2015 to December 31, 2015. 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 Audit Report of the City, which provides our opinions on the City's financial statement. This report may be found at [www.in.gov/sboa/](http://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 24, 2018

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CLERK-TREASURER  
CITY OF WABASH

CLERK-TREASURER  
CITY OF WABASH  
AUDIT RESULT AND COMMENT

***INTERNAL CONTROL DEFICIENCIES***

The Clerk-Treasurer prepared and submitted the financial information into the Indiana Gateway for Government Units (Gateway) financial reporting system. The Gateway is the collection platform for local units of government to submit required data to the State of Indiana. All cities are required to submit their Annual Financial Report via the Gateway. The City, however, did not have documentable controls to verify the accuracy of the financial information prior to submission.

The failure to establish these controls could enable material misstatements to go 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. . . ."

CLERK-TREASURER  
CITY OF WABASH  
EXIT CONFERENCE

The contents of this report were discussed on May 24, 2018, with Wendy D. Frazier, Clerk-Treasurer; Scott A. Long, Mayor; Eric E. Schoening, President Pro Tempore of the Common Council; and Doug Adams, Common Council member.

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CITY COURT  
CITY OF WABASH

CITY COURT  
CITY OF WABASH  
AUDIT RESULTS AND COMMENTS

***BANK ACCOUNT RECONCILIATIONS***

A similar comment also appeared in prior Reports B40965, B43050, B44207, and B45602, entitled *BANK ACCOUNT RECONCILIATIONS*.

Depository reconciliations of the fund balance to the bank account balance were not prepared for eleven months in 2015. The one reconciliation prepared did not balance to the ledger. Unidentified variances noted during the last four years have resulted in an unidentified cash long of \$2,943 at December 31, 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."

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

***CONDITION OF RECORDS***

A similar comment also appeared in prior Reports B40965, B43050, B44207, and B45602, entitled *CONDITION OF RECORDS*.

The following deficiencies related to the recordkeeping were again present during our period of audit.

1. Disbursements had to be totaled manually based on check registers provided due to the unavailability of the computerized accounting software.
2. Voided checks were not always accounted for properly; therefore, the check numbers shown on the check register did not always match the actual checks printed. In a review of three months' checks, we identified five listed on the check register that were actually printed on different checks (numbers). In each case, the disbursement amount was accurate per both the register and cleared check shown on the bank statement; the check number was the discrepancy.

CITY COURT  
CITY OF WABASH  
AUDIT RESULTS AND COMMENTS  
(Continued)

3. All receipts were not processed through the City Court's computerized accounting software or listed on the manually prepared receipts ledger. A total of \$2,398 in monies received was not included on the manually prepared receipts ledger. Of that total, \$874 could not be traced to any documentation.
4. The total on the Register of Trust Funds subsidiary account balances could not be verified.
5. Old outstanding checks had not been addressed for several years and were still presented on the Cash Book.
6. Numerous receipts and disbursements were voided without supporting documentation or oversight approval. Previous requests had been made that these voided receipts be approved by the judge, and the reason for the void and a replacement number, if applicable, be documented.
7. There were several dormant cases without follow-up or activity.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

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CITY COURT  
CITY OF WABASH  
EXIT CONFERENCE

The contents of this report were discussed on May 24, 2018, with Timothy A. Roberts, City Court Judge; Jennifer Thomas, City Court Clerk; Scott A. Long, Mayor; Eric E. Schoening, President Pro Tempore of the Common Council; and Doug Adams, Common Council member.

WASTEWATER BILLING DEPARTMENT  
CITY OF WABASH

WASTEWATER BILLING DEPARTMENT  
CITY OF WABASH  
AUDIT RESULTS AND COMMENTS

***COLLECTIONS NOT DEPOSITED***

This comment also appeared in our Special Investigation Report B49093 of the City of Wabash Wastewater Billing Department.

The Wastewater Billing Department (Department) could not account for collections credited to customer accounts totaling \$152,128 from September 5, 2013 to May 9, 2017. Of this total, \$43,999 was from January 1, 2015 to December 31, 2015. These collections were entered in the Department's computer system in 112 batches assigned to 94 different collection dates. None of the 112 batches were included in the Department's daily Cash Entry Batch Lists, and none of the collections in those batches were ever remitted to the Office of the Clerk-Treasurer, recorded in the City's fund ledger, or deposited in the bank.

The Department's billing and customer accounting software recorded the operator who was logged in to enter these collections. For each of the 112 missing batches, the operator recorded by the software was a former Billing Clerk for the Department.

Of the 112 missing batches, 63 had an internally recorded input date. A comparison of the input dates with the collection dates posted to the customers' accounts revealed that all 63 batches were input anywhere from 1 to 22 days after the posted collection dates. Employee time records indicated that the former Billing Clerk was the only Department employee who worked on all 63 of the recorded input dates for missing batches.

Indiana Code 5-13-6-1(c) states in part:

" . . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . . ."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

WASTEWATER BILLING DEPARTMENT  
CITY OF WABASH  
AUDIT RESULTS AND COMMENTS  
(Continued)

**INTERNAL CONTROL DEFICIENCIES**

The City had not separated incompatible activities related to financial transactions and reporting.

The Department had two employees who shared the same duties and responsibilities equally. Except for approving biweekly timesheets, there was no supervisory oversight and review of the activities of the Department. Due to the lack of segregation of duties and supervisory review, officials were not able to prevent or detect in a timely manner the failure to deposit collections for Wastewater receipts. The lack of necessary input controls allowed discrepancies between collections posted to customers' accounts and collections deposited to the bank to go 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:

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WASTEWATER BILLING DEPARTMENT  
CITY OF WABASH  
EXIT CONFERENCE

The contents of this report were discussed on May 24, 2018, with Scott A. Long, Mayor; Eric E. Schoening, President Pro Tempore of the Common Council; and Doug Adams, Common Council member.

The contents of this report were discussed on May 25, 2018, with Robert E. Vanlandingham, former Mayor.