

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF VINCENNES

KNOX COUNTY, INDIANA

January 1, 2016 to December 31, 2016



FILED
06/29/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sharon K. Meek	01-01-16 to 12-31-19
Mayor	Joe Yochum	01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Joe Yochum	01-01-16 to 12-31-19
President Pro Tempore of the Common Council	Shirley Rose Scott Brown	01-01-16 to 12-31-16 01-01-17 to 12-31-18
Vincennes Water General Manager	L. Kirk Bouchie	01-01-16 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF VINCENNES, KNOX COUNTY, INDIANA

This report is supplemental to our audit report of the City of Vincennes (City), for the period from January 1, 2016 to December 31, 2016. It has been provided as a separate report so that the reader may easily identify any Federal Findings 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/.

The Federal Findings, identified in the above referenced audit report, are included in this report.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

June 14, 2018

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CLERK-TREASURER
CITY OF VINCENNES

CLERK-TREASURER
CITY OF VINCENNES
FEDERAL FINDINGS

FINDING 2016-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Other Matters

Condition

The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

Context

The SEFA contained the following errors: federal expenditures were understated by \$57,924, program titles were incorrect for two programs, and two direct grants were incorrectly reported as pass-through grants.

Audit adjustments were proposed, accepted by the City, and made to the SEFA.

Criteria

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. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

CLERK-TREASURER
CITY OF VINCENNES
FEDERAL FINDINGS
(Continued)

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the City's management establish controls to prevent, or detect and correct, errors on the SEFA.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-002

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

CLERK-TREASURER
CITY OF VINCENNES
FEDERAL FINDINGS
(Continued)

Condition

There were deficiencies in the internal control system of the City related to financial transactions and reporting. The City had not separated incompatible activities related to cash and investments.

Internal controls over bank reconciliements were not in place during the audit period. There was no documented review and approval of monthly bank reconciliements.

Context

The lack of adequate internal controls was a systemic issue, which occurred throughout the audit period.

Criteria

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. . . ."

Cause

Management of the City had not established a proper system of internal control.

Effect

The failure to establish controls could have enabled misstatements or irregularities to remain undetected.

Recommendation

We recommended that the City establish a system of internal controls related to financial transactions and reporting related to cash and investments.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



VINCENNES CITY
CLERK-TREASURER
203 Vigo Street
Vincennes, IN 47591

Sharon K. Meek
Clerk-Treasurer
812-882-6426 office
812-886-3406 fax
smEEK@vincennes.org

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Sharon K. Meek
Contact Phone Number: 812-882-6426

Views of Responsible Official:

We concur with the finding

Description of Corrective Action Plan:

We will review all the grants with the department heads to ensure the titles are stated correctly. From this day forward the department head must present all grant paperwork to the office, unlike what was happening before I took office on January 01, 2016. Reports will be given at the end of each month to the department heads for their review so that any needed corrections can be made. We also have composed a spreadsheet to help track the Grant activities. We will be attaching the payment request with the receipt of the money and a copy of the corresponding check together for the grant file.

Anticipated Completion Date:

Effective immediately

FINDING 2016-002

Views of Responsible Official:

We concur with the finding

Description of Corrective Action Plan:

We failed to have the person who looked over the final bank reconciliation sign off that she had done so, in the future the reviewer will sign all the bank reconciliation reports and a signature will be on all other reports that had been reviewed by other staff members instead of just reviewing them.

Anticipated Completion Date:

Effective immediately

Sharon K. Meek
(Signature)

Clerk Treasurer
(Title)

6-14-2018
(Date)

CLERK-TREASURER
CITY OF VINCENNES
EXIT CONFERENCE

The contents of this report were discussed on June 14, 2018, with Sharon K. Meek, Clerk-Treasurer; Joe Yochum, Mayor; Scott Brown, President Pro Tempore of the Common Council; and Dan Ravellette, Common Council member.