

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF SEYMOUR

JACKSON COUNTY, INDIANA

January 1, 2016 to December 31, 2016



**FILED**  
09/28/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Fred D. Lewis	01-01-16 to 12-31-19
Mayor	Craig Luedeman	01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Craig Luedeman	01-01-16 to 12-31-18
President Pro Tempore of the Common Council	James W. Rebber	01-01-16 to 12-31-1



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE CITY OF SEYMOUR, JACKSON COUNTY, INDIANA

This report is supplemental to our audit report of the City of Seymour (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/](http://www.in.gov/sboa/).

The Federal Finding, identified in the above referenced audit report, is included in this report.

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

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

September 13, 2018

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CLERK-TREASURER  
CITY OF SEYMOUR

CLERK-TREASURER  
CITY OF SEYMOUR  
FEDERAL FINDINGS

***FINDING 2016-001***

Subject: Internal Controls over Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-002.

*Condition*

There were several deficiencies in the internal control system of the City related to financial transactions and reporting.

Lack of Segregation of Duties: The City had not separated incompatible activities related to payroll disbursements. One employee in the Clerk-Treasurer's office was responsible for entering the employees' hours worked; recording leave time earned and used; calculating the employees' wages, issuing checks and/or making direct deposit payments for wages, tax payments, and payroll deductions; printing reports of payroll disbursements for review and approval; preparing 941 reports, retirement reports, and W-2s; and reconciling the payroll bank account. The activities related to payroll were not reviewed or verified by someone other than the employee performing the activities.

*Context*

The lack of controls was a systemic issue 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:

CLERK-TREASURER  
CITY OF SEYMOUR  
FEDERAL FINDINGS  
(Continued)

"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 that segregated key functions.

*Effect*

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

*Recommendation*

We recommended that the City establish controls, including segregation of duties, related to financial transactions and reporting.

*Views of Responsible Officials*

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



# City of Seymour

City Hall 301-309 N. Chestnut Street • Seymour, Indiana 47274  
Phone (812) 522-4020 • Fax: (812) 523-6687

Mayor  
CRAIG LUEDEMAN

Clerk-Treasurer  
FRED D LEWIS

City Council Members  
JOHN J. REINHART

BRIAN D'ARCO

MATT NICHOLSON

JAMES W. REBBER

DAVID EARLEY

LLOYD G. HUDSON

SHAWN MALONE

## CORRECTIVE ACTION PLAN

Finding 2016-001

Contact Person Responsible for Corrective Action: Fred D Lewis, Clerk-Treasurer

Contact Phone Number (812) 523-5881

View of Responsible Official We concur with the finding

### Description of Corrective Action Plan

We began making corrective actions after our last audit. The process was implemented in March 2017 and is a three step process. Each department submits their payroll to our office every two weeks. It supposedly has been reviewed by the department head who must sign off on the payroll. Then our payroll clerk enters the figures into our payroll computer program. When completed she prints out her entered payroll report for checks. She then brings the original report submitted by the department head and her reports for what is entered for payroll checks. I review each employees payroll figures and proposed check figures to make sure they match. If there is an error while entering the figures the payroll clerk is notified and she makes the corrections. I sign each departments payroll report to verify I have compared it to the entered payroll printout. So the department heads approve the payroll and I approve the figures entered into the payroll program. Checks are then printed.

While the procedures implemented above did not cover all areas of the payroll processes mentioned in the finding, we are continuing to work on developing methods to improve the segregation of the payroll process and implement additional oversights and reviews.

Anticipated completion date: 8/30/2018

  
\_\_\_\_\_  
Fred D Lewis

Clerk- Treasurer

9/05/2018

CLERK-TREASURER  
CITY OF SEYMOUR  
EXIT CONFERENCE

The contents of this report were discussed on September 13, 2018, with Fred D. Lewis, Clerk-Treasurer; Craig Luedeman, Mayor; and James W. Rebber, President Pro Tempore of the Common Council.