

**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, 2017 to December 31, 2017



**FILED**  
10/18/2018



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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	01-01-17 to 12-31-18
President Pro Tempore of the Common Council	James W. Rebber	01-01-17 to 12-31-18



**STATE OF INDIANA**  
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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, 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 Audit Report of the City, which provides our opinion 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/).

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 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, noncompliance 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

September 13, 2018

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CLERK-TREASURER  
CITY OF SEYMOUR

CLERK-TREASURER  
CITY OF SEYMOUR  
AUDIT RESULT AND COMMENT

**INTERNAL CONTROLS**

This is a repeat comment from the immediately prior audit. The prior audit finding number was 2016-001, *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

Internal controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient: The City has not separated incompatible activities related to payroll disbursements. One employee in the Clerk-Treasurer's office is 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-2's; 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. Control activities should be in place to reduce the risks of errors in financial reporting.

The 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 SEYMOUR  
EXIT CONFERENCE

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