

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF PLYMOUTH

MARSHALL COUNTY, INDIANA

January 1, 2016 to December 31, 2017



FILED
10/31/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Result and Comment:	
Internal Controls	6-7
Exit Conference	8

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jeanine M. Xaver	01-01-16 to 12-31-19
Mayor	Mark Senter	01-01-16 to 12-31-19
President of the Board of Public Works	Mark Senter	01-01-16 to 12-31-18
President Pro Tempore of the Common Council	Don Ecker, Jr.	01-01-16 to 12-31-18
Superintendent of Utilities	Donnie Davidson	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 PLYMOUTH, MARSHALL COUNTY, INDIANA

This report is supplemental to our audit report of the City of Plymouth (City), for the period from January 1, 2016 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. 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 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 18, 2018

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CLERK-TREASURER
CITY OF PLYMOUTH

CLERK-TREASURER
CITY OF PLYMOUTH
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

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 receipts and financial reporting.

Receipts

Employees recorded and reconciled the receipts without a documented oversight or approval process.

Financial Reporting

The Clerk-Treasurer prepared and submitted the financial information into the Indiana Gateway for Government Units financial reporting system, which is the source of the Annual Financial Report (AFR) and the financial statement. There was no evidence that a knowledgeable individual reviewed or approved the report to ensure the information entered was accurate prior to submission. As a result, the financial statement contained the following errors which were not detected and corrected by the City's review process:

The Water Operating fund on the AFR included the activity of the following individual funds, which should have been presented separately: Water Operating, Water Cash - Bond and Interest, Water Cash - Depreciation, Water Construction, Water Cash - Meter Deposits and Water Cash - Change.

The Wastewater Operating fund on the AFR included the activity of the following individual funds, which should have been presented separately: Wastewater Operating, Wastewater Cash - Sinking, Wastewater Cash - Depreciation, Wastewater Cash - Construction, Stormwater Operating, Stormwater Depreciation, and Wastewater Cash - Pre-Treatment Program.

Adjustments to separate the funds were proposed, approved by the City and made to the financial statement.

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 PLYMOUTH
AUDIT RESULT AND COMMENT
(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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

Each reporting entity . . . shall be required to report financial information on a financial statement. All financial information of the entity shall be included on the financial statement even if the activity has not been included in the financial records of the entity. The financial statement shall be presented on a fund basis format. The financial statement shall be referred to as the Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis. This statement shall present each fund separately. However, if the reporting entity chooses to do so, similar types of funds, such as payroll clearing funds and tax distribution funds, can be combined and presented as one fund on the statement. Funds that are established by statute or local ordinance/resolution and funds that account for grant activity may not be combined and presented in one fund. The statement shall present the beginning balance, total receipts, total disbursements, and ending balance for each fund. All activity related to a certain fund should be accounted for in that fund. For example, property tax receipts designated for the General Fund should be included in the General Fund. All funds of the reporting entity shall be presented on the statement with no distinction of the type of fund. The statement will include the funds of the reporting entity only (including its departments). No funds from outside organizations associated with the entity shall be included. (Accounting and Financial Regulatory Reporting Manual, Part III A)

CLERK-TREASURER
CITY OF PLYMOUTH
EXIT CONFERENCE

The contents of this report were discussed on September 18, 2018, with Jeanine M. Xaver, Clerk-Treasurer; Mark Senter, Mayor; Jeff Houin, Common Council member; and Sean Surrisi, City Attorney.