

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF SULLIVAN

SULLIVAN COUNTY, INDIANA

January 1, 2013 to December 31, 2017



**FILED**  
11/08/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Donna Sue Pitts	01-01-12 to 12-31-19
Mayor	Clint D. Lamb	01-01-12 to 12-31-19
President of the Board of Public Works	Clint D. Lamb	01-01-12 to 12-31-19
President of the Common Council	Jack Alexander Steve Martindale Gene Bonham Steve Martindale	01-01-13 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF SULLIVAN, SULLIVAN COUNTY, INDIANA

This report is supplemental to our audit report of the City of Sullivan (City), for the period from January 1, 2013 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 Statements Audit Report of the City, which provides our opinions on the City's financial statements. 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

October 4, 2018

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CLERK-TREASURER  
CITY OF SULLIVAN

CLERK-TREASURER  
CITY OF SULLIVAN

**OVERDRAWN CASH BALANCES**

The financial statements presented for audit included the following funds with overdrawn cash balances at December 31, 2016 and 2017:

Fund	December 31, 2016	December 31, 2017
Redevelopment Commission	\$ 8,962	\$ 6,658
Wastewater Utility- Operating	386,713	-
TGR	17,371	-
Sewer Operating *	-	580,646

\*The Wastewater Utility - Operating fund was renamed Sewer Operating in 2017.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**INTERNAL CONTROLS - FINANCIAL TRANSACTIONS AND REPORTING**

The City did not have a proper system of internal controls in place related to financial transactions and reporting. The City had not separated incompatible activities related to cash and investments, payroll disbursements, and financial reporting. The failure to establish these controls could enable material misstatements to occur and remain undetected.

*Cash and Investments*

The Clerk-Treasurer prepared all of the bank account reconciliations. There were no controls in place, such as an oversight, review, or approval process to ensure their accuracy.

CLERK-TREASURER  
CITY OF SULLIVAN  
(Continued)

*Payroll Disbursements*

One individual processed payroll activity and posted the payroll transactions to the budgetary accounts without oversight or review. No documentation was presented which indicated a review by another employee or any other compensating control.

*Financial Reporting*

The City did not have an effective internal control system over financial reporting. The Clerk-Treasurer was primarily responsible for inputting and submitting the City's Annual Financial Report into the Indiana Gateway for Government Units financial reporting system. There were no controls in place, such as an oversight, review, or approval process, to ensure the accuracy of the financial information prior to submission.

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 SULLIVAN  
EXIT CONFERENCE

The contents of this report were discussed on October 4, 2018, with Donna Sue Pitts, Clerk-Treasurer; Clint D. Lamb, Mayor; Gene Bonham, Common Council member; and John Ellington, Common Council member.