

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF CLINTON

VERMILLION COUNTY, INDIANA

January 1, 2013 to December 31, 2017



**FILED**  
12/29/2018



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kara Vorek Dorothy Russell	01-01-12 to 06-23-14 06-24-14 to 12-31-19
Mayor	Jack Gilfoy	01-01-12 to 12-31-19
President of the Board of Public Works	Jack Gilfoy	01-01-12 to 12-31-19
President Pro Tempore of the Common Council	Dean Strohm	01-01-13 to 12-31-18
Utility Superintendent	Cindy Yates	01-01-13 to 12-31-18
Utility Office Manager	Rita Northcutt Pamela Hartsough	01-01-13 to 06-15-14 06-16-14 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF CLINTON, VERMILLION COUNTY, INDIANA

This report is supplemental to our audit report of the City of Clinton (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 Report of the City, which provides our opinion 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

November 14, 2018

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CLERK-TREASURER  
CITY OF CLINTON

CLERK-TREASURER  
CITY OF CLINTON  
AUDIT RESULTS AND COMMENTS

**OVERDRAWN CASH BALANCES**

The following funds were overdrawn at December 31:

Years	Fund	Amount Overdrawn
2015	Bark Park	\$ 318
2015	SENIOR CITIZENS	819
2016	Stormwater	13,536
2016	ADA	34
2016	Bark Park	293
2016	SENIOR CITIZENS	849
2017	Bark Park	193
2017	ADA	34
2017	SENIOR CITIZENS	819
2017	GOLF	5,558

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**

A similar comment also appeared in prior Report B42574, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

There were deficiencies in the internal control system of the City related to cash and investments, City receipts, and financial transactions and reporting.

*Cash and Investments* - The City had designed the following control over cash and investments: bank reconcilements would be reviewed and approved by a second person who was not involved in the preparation of the reconcilement. There was no evidence that the control was implemented during the audit period. Bank reconcilements were not presented for audit for 2013 and 2014.

*City Receipts* - The City did not have sufficient segregation of duties for City receipts. The Clerk-Treasurer received money, recorded the receipt, and deposited the money with no evidence of a control such as oversight, review, or approval. The lack of internal controls allowed numerous distributions from the Auditor of State to be posted incorrectly. The results of the posting errors are shown in the following schedule:

CLERK-TREASURER  
CITY OF CLINTON  
AUDIT RESULTS AND COMMENTS  
(Continued)

Fund	Amount Over (Under) Stated				
	2013	2014	2015	2016	2017
GENERAL FUND	\$ (6,501)	\$ (8,909)	\$ (17,302)	\$ (10,381)	\$ (10,874)
GRANT FUND	12,748	3,452	5,495	-	-
CUM CAP IMP - CIG TAX	(6,247)	-	-	-	-
MOTOR VEHICLE HIGHWAY	-	4,755	11,807	10,381	10,874
LOCAL ROAD & STREET	-	702	-	-	-

*Financial Close and Reporting* - The Clerk-Treasurer and City Attorney entered financial information into the Indiana Gateway for Government Units system for submission of the Annual Financial Report. The internal controls in place were not adequate to prevent the following errors:

Fund	Amount Over (Under) Stated		
	Cash and Investment Balance 01-01-13	Receipts	Disbursements
City Court	\$ -	\$ 9,403	\$ (9,403)
EQUIPMENT ESCROW	(462,644)	31,695	(430,649)
WATER UTILITY OPERATING	15,000	-	-

Fund	Amount Over (Under) Stated		
	Cash and Investment Balance 01-01-14	Receipts	Disbursements
City Court	\$ -	\$ (292,647)	\$ (285,194)
WATER UTILITY OPERATING	15,000	-	-

Fund	Amount Over (Under) Stated		
	Cash and Investment Balance 01-01-15	Receipts	Disbursements
City Court	\$ -	\$ (394,919)	\$ (395,355)
WATER UTILITY OPERATING	15,000	-	-

Fund	Amount Over (Under) Stated		
	Cash and Investment Balance 01-01-16	Receipts	Disbursements
City Court	\$ -	\$ (474,152)	\$ (469,584)
WATER UTILITY OPERATING	15,000	-	-

Fund	Amount Over (Under) Stated		
	Cash and Investment Balance 01-01-17	Receipts	Disbursements
City Court	\$ -	\$ (477,047)	\$ (481,488)
WATER UTILITY OPERATING	15,000	-	-

CLERK-TREASURER  
CITY OF CLINTON  
AUDIT RESULTS AND COMMENTS  
(Continued)

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. . . ."

**BANK ACCOUNT RECONCILIATIONS**

Bank reconciliations were not provided for audit for 2013 and 2014.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

CLERK-TREASURER  
CITY OF CLINTON  
EXIT CONFERENCE

The contents of this report were discussed on November 14, 2018, with Jack Gilfoy, Mayor; Dorothy Russell, Clerk-Treasurer; Robert Alexander, Common Council member; Robert Lindsay, Common Council member; Dean Strohm, President Pro Tempore of the Common Council; D. Scott Craig, City Attorney; and Scott A. Miller, Board of Works member.