

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF DECATUR

ADAMS COUNTY, INDIANA

January 1, 2014 to December 31, 2017



FILED
02/07/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Result and Comment:	
Internal Controls over Financial Transactions and Reporting.....	6
Official Response.....	7
Exit Conference	8
Utilities:	
Audit Result and Comment:	
Delinquent Wastewater Accounts	10
Official Response.....	11
Exit Conference	12

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Phyllis J. Whitright	01-01-12 to 12-31-19
Mayor	John L. Schultz Kenneth Lyle Meyer	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President of the Board of Public Works and Safety	John L. Schultz Kenneth Lyle Meyer	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President Pro Tempore of the Common Council	Kenneth Lyle Meyer Matthew J. Dyer	01-01-14 to 12-31-15 01-01-16 to 12-31-18
Utility Director	Daniel L. Rickord (Vacant) Kevin Hackman	01-01-14 to 06-09-17 06-10-17 to 06-11-17 06-12-17 to 12-31-18



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

TO: THE OFFICIALS OF THE CITY OF DECATUR, ADAMS COUNTY, INDIANA

This report is supplemental to our audit report of the City of Decatur (City), for the period from January 1, 2014 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 opinion on the City's financial statements. 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 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 Responses to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

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

December 18, 2018

(This page intentionally left blank.)

CLERK-TREASURER
CITY OF DECATUR

CLERK-TREASURER
CITY OF DECATUR
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

The City adopted an internal control policy, but no documentable controls could be verified throughout the course of the audit to determine that the controls were in place and working as intended for the bank reconciliation and the financial close and reporting processes. The failure to establish these controls could enable material misstatements to occur and remain undetected.

Bank Reconciliation

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

Financial Close and 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 verifiable 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. . . ."

City of Decatur
172 N. 2nd Street
Decatur, IN 46733
Tel (260) 724-4307
pwhitright@decaturin.org



Phyllis J. Whitright, Clerk-Treasurer

December 20, 2018

State Board of Accounts
302 W. Washington St. Rm E418
Indianapolis, IN 46204-2765

RE: Official Response to Audit Results and Comments
Audit Period January 1, 2014 to December 31, 2017

To Whom It May Concern:

The Clerk-Treasurer of the City of Decatur wishes to respond to the comments made by the State Board of Accounts during their examination and audit for the years 2014, 2015, 2016, and 2017.

In response to the internal controls over bank reconciliation. Beginning in June 2018 and each month after, the Clerk-Treasurer and the Deputy Clerk-Treasurer have been preparing, review and initialing all the bank account reconciliations.

In response to the internal controls over financial close and reporting. The Clerk-Treasurer will also have the Deputy Clerk-Treasurer assist with reviewing and initialing the City's Annual Financial Report that will be submitted into the Indiana Gateway financial reporting system for the year 2018 and future years.

Respectfully submitted,

Phyllis J. Whitright
Clerk-Treasurer
City of Decatur, Indiana

CLERK-TREASURER
CITY OF DECATUR
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2018, with Phyllis J. Whitright, Clerk-Treasurer; Kenneth Lyle Meyer, Mayor; Wylie Sirk, Common Council member; and Craig Coshow, Common Council member.

UTILITIES
CITY OF DECATUR

UTILITIES
CITY OF DECATUR
AUDIT RESULT AND COMMENT

DELINQUENT WASTEWATER ACCOUNTS

This comment also appeared in prior Report B44723, entitled *DELINQUENT WASTEWATER ACCOUNTS*.

Delinquent wastewater fees and penalties had not been recorded with the County Recorder, nor were they certified to the County Auditor, which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

". . . (c) Except as provided in subsection (m), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

(1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:

(A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.

(B) A description of the premises, as shown by the records of the county auditor.

(C) The amount of the delinquent fees, together with the penalty.

(2) An individual instrument for each lot or parcel of real property on which the fees are delinquent.

(d) The officer shall record a copy of each list or each individual instrument with the county recorder . . .

(f) . . . Using the lists and instruments prepared under subsection (c) and recorded under subsection (d), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (d), certify to the county auditor a list of the unpaid liens for collection with the next May installment of property taxes. . . ."

Decatur Utilities
172 N 2ND Street
Decatur, IN 46733
Tel (260) 724-7171
khackman@decaturin.org



Kevin Hackman, Utilities Auditor

OFFICIAL RESPONSE

December 19, 2018

The City of Decatur would like to officially respond to the comments during the exit conference on December 18, 2018. This was a repeat comment entitled DELINQUENT WASTEWATER ACCOUNTS, and referenced the fact that the Utilities have not filed liens on said accounts.

I started in my position in June 2017 so I cannot speak on to why liens were not filed during the audit period (2014-2017). In 2018 with the realization that 80-90% of delinquent utility accounts were from rental properties, the City passed Ordinance 2018-15. This ordinance placed liability for city services on the property owner rather than just the tenant. With that in mind, this should take care of all but 10-20% of delinquent accounts left by customers. In 2018, the Utility office only had to shut off 8 customers due to non-payment, with 6 of those being rental properties. In regards to delinquent accounts at owner occupied residences, those will be dealt with on a case by case basis, depending on amount and length of delinquency.

Thank you for your time

Kevin Hackman

Utilities Auditor

UTILITIES
CITY OF DECATUR
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2018, with Phyllis J. Whitright, Clerk-Treasurer; Kenneth Lyle Meyer, Mayor; Kevin Hackman, Utility Director; Wylie Sirk, Common Council member; and Craig Coshow, Common Council member.