

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF DUNKIRK

JAY COUNTY, INDIANA

January 1, 2014 to December 31, 2017



**FILED**  
02/20/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Phonnie M. Kesler	01-01-12 to 08-14-15
	John T. Phillips	08-15-15 to 12-31-15
	Tina Elliott	01-01-16 to 12-31-19
Mayor	Daniel W. Watson	01-01-12 to 12-31-15
	Gene Ritter	01-01-16 to 12-31-19
President Pro Tempore of the Common Council	Judy D. Garr	01-01-14 to 12-31-15
	Tom Johnson	01-01-16 to 12-31-17
	Jesse Bivens	01-01-18 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF DUNKIRK, JAY COUNTY, INDIANA

This report is supplemental to our audit report of the City of Dunkirk (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 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

December 20, 2018

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CLERK-TREASURER  
CITY OF DUNKIRK

CLERK-TREASURER  
CITY OF DUNKIRK  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

There were deficiencies in the internal control system for the City related to cash and investments.

The Clerk-Treasurer was responsible for reconciling the bank statement balance to the funds ledger balance each month. There were no controls in place to ensure the reconciliation was performed monthly. This lack of internal controls permitted 8 of the 12 monthly reconciliations in 2017 not to be completed.

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**

The same comment also appeared in prior Report B44615.

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations contained unidentified amounts.

We identified 8 of 12 monthly reconciliations in 2017 contained "Adjustments - Unknown Amount."

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."

**OVERDRAWN CASH BALANCES**

The same comment also appeared in prior Report B44615.

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

The following schedule shows the cash balances of funds with overdrawn balances at each year end:

Fund	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
Payroll	\$ 55,049	\$ 48,788	\$ 77,592	\$ 29,425
Sewage Bond & Interest - BONY	-	-	5,024	-
Sewage Bond & Interest - Huntington	-	-	7,022	-

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)

**DEPOSIT OF ACCOUNTABLE ITEMS - RECEIPTS**

Receipts were generated daily from the City's software; however, many receipts did not have supporting documentation. Of the 42 receipts tested, 22 did not have documentation to indicate the source of the receipt, the amount, or the date.

Tickets, goods for sale, billings, and other collections, are considered accountable items for which a corresponding deposit must be made in the bank accounts of the unit. The deposit ticket or attached documentation must provide a detail listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payers. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**PENALTIES, INTEREST, AND OTHER CHARGES**

In 2017, the Clerk-Treasurer paid \$224 in penalties and interest to the Internal Revenue Service (IRS) for untimely remittance of federal payroll taxes related to 2012. The Clerk-Treasurer also paid \$53 in penalties and interest to the IRS in 2018 for federal payroll taxes related to 2017 and 2018.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER  
CITY OF DUNKIRK  
EXIT CONFERENCE

The contents of this report were discussed on December 20, 2018, with Tina Elliott, Clerk-Treasurer; Tom Johnson, Town Council member; and Jack Robbins, Town Council member.