

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF LINTON

GREENE COUNTY, INDIANA

January 1, 2015 to December 31, 2018



FILED
08/05/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Certification on Internal Control Standards	6
Internal Controls	6
Exit Conference	7
Municipal Utilities:	
Audit Result and Comment:	
Delinquent Wastewater Accounts	10
Exit Conference	11
Common Council:	
Audit Results and Comments:	
Expenditure of Utility Funds for Payroll	14-15
Training on Internal Control Standards	15
Exit Conference	16

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	B. Jack Shelton	01-01-12 to 12-31-15
	Jathan Wright	01-01-16 to 12-31-19
Mayor	John A. Wilkes	01-01-12 to 12-31-19
President of the Board of Public Works	John A. Wilkes	01-01-12 to 12-31-19
President Pro Tempore of the Common Council	Linda D. Bedwell	01-01-15 to 12-31-15
	Warren A. Richards	01-01-16 to 12-31-16
	Jerry L. Ellett	01-01-17 to 12-31-17
	Linda D. Bedwell	01-01-18 to 12-31-18
	Warren A. Richards	01-01-19 to 12-31-19
General Manager of Utilities	Brent Slover	01-01-15 to 12-31-19



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 LINTON, GREENE COUNTY, INDIANA

This report is supplemental to our audit report of the City of Linton (City), for the period from January 1, 2015 to December 31, 2018. 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 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

June 19, 2019

(This page intentionally left blank.)

CLERK-TREASURER
CITY OF LINTON

CLERK-TREASURER
CITY OF LINTON
AUDIT RESULTS AND COMMENTS

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The Clerk-Treasurer incorrectly certified, in the Indiana Gateway for Government Units (Gateway) financial reporting system, that City personnel had received training regarding internal control standards. Documentation for the audit period was not provided to verify that the City's personnel received the training on internal control standards.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

INTERNAL CONTROLS

The City has not separated incompatible activities related to receipts and financial close and reporting. There was no segregation of duties, such as a documented oversight, review, or approval process over the City and Utilities' receipts or of the information uploaded to the Gateway financial reporting system from the City's accounting system, which is used to compile the City's financial statements.

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 LINTON
EXIT CONFERENCE

The contents of this report were discussed on June 19, 2019, with Jathan Wright, Clerk-Treasurer; John A. Wilkes, Mayor; Warren A. Richards, President Pro Tempore of the Common Council; David W. Sisk, Deputy Clerk-Treasurer/Controller; and Brent Slover, General Manager of Utilities.

(This page intentionally left blank.)

MUNICIPAL UTILITIES
CITY OF LINTON

MUNICIPAL UTILITIES
CITY OF LINTON
AUDIT RESULT AND COMMENT

DELINQUENT WASTEWATER ACCOUNTS

The same comment also appeared in prior Reports B43044, B44102, and B45720.

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 (c), certify to the county auditor a list of the unpaid liens for collection with the next May installment of property taxes. . . ."

MUNICIPAL UTILITIES
CITY OF LINTON
EXIT CONFERENCE

The contents of this report were discussed on June 19, 2019, with Jathan Wright, Clerk-Treasurer; John A. Wilkes, Mayor; Warren A. Richards, President Pro Tempore of the Common Council; David W. Sisk, Deputy Clerk-Treasurer/Controller; and Brent Slover, General Manager of Utilities.

(This page intentionally left blank.)

COMMON COUNCIL
CITY OF LINTON

COMMON COUNCIL
CITY OF LINTON
AUDIT RESULTS AND COMMENTS

EXPENDITURE OF UTILITY FUNDS FOR PAYROLL

The same comment also appeared in prior Report B45720.

There were several employees that had shared responsibilities between the City and the Utilities. A review of payroll expenditures, made in accordance with the salary ordinances adopted by the Common Council, revealed that the City was not paying an adequate share of the employees' compensation. The positions and percentages of wages paid from City or Utilities' funds were as follows:

Position	2015 Funds	2016 Funds	2017 Funds	2018 Funds
Mayor	2% of City and 98% of Utilities	2% of City and 98% of Utilities	4% of City and 96% of Utilities	4% of City and 96% of Utilities
Administrative Assistant	100% Utilities	100% Utilities	100% Utilities	100% Utilities
Clerk-Treasurer	2% of City and 98% of Utilities	2% of City and 98% of Utilities	4% of City and 96% of Utilities	4% of City and 96% of Utilities
Deputy C-T/Utility Controller	100% Utilities	100% Utilities	100% Utilities	100% Utilities
Account Analyst	100% Utilities	100% Utilities	100% Utilities	100% Utilities
Common Council members	7% of City and 93% of Utilities	7% of City and 93% of Utilities	9% of City and 91% of Utilities	9% of City and 91% of Utilities for four members; 10% of City and 90% of Utilities for one member

Indiana Code 8-1.5-3-11(d) states in part: ". . . transfers may not be made from any utility funds to the general fund except from the cash reserve fund."

Expenses paid from utility funds should be directly related to the operation of the municipally owned utility. Expenditures for city and town operating costs should not be paid from utility funds. Furthermore, utility funds should not be used to pay for personal items. The cost of shared employees and equipment between a city or town and its utilities or between utilities should be prorated in a rational manner.

Establishment of a Cash Reserve Fund permits transfer of surplus utility funds to the city or town general fund. After appropriation, such transferred funds may then be used for any legal general fund purpose. (The Cities and Towns Bulletin and Uniform Compliance Guidelines, June 2016 - Part One)

COMMON COUNCIL
CITY OF LINTON
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 36-9-23-25 states in part:

"(a) Subject to section 37 of this chapter, the municipal legislative body shall, by ordinance, establish just and equitable fees for the services rendered by the sewage works, and provide the dates on which the fees are due.

(b) Just and equitable fees are the fees required to maintain the sewage works in the sound physical and financial condition necessary to render adequate and efficient service. The fees must be sufficient to:

- (1) pay all expenses incidental to the operation of the works, including legal expenses, maintenance costs, operating charges, repairs, lease rentals, and interest charges on bonds or other obligations;
- (2) provide the sinking fund required by section 21 of this chapter;
- (3) provide adequate money to be used as working capital; and
- (4) provide adequate money for improving and replacing the works. . . ."

TRAINING ON INTERNAL CONTROL STANDARDS

Documentation was not maintained to verify employees had received training over the internal control standards.

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

COMMON COUNCIL
CITY OF LINTON
EXIT CONFERENCE

The contents of this report were discussed on June 19, 2019, with Jathan Wright, Clerk-Treasurer; John A. Wilkes, Mayor; Warren A. Richards, President Pro Tempore of the Common Council; David W. Sisk, Deputy Clerk-Treasurer/Controller; and Brent Slover, General Manager of Utilities.