

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF ROCKPORT

SPENCER COUNTY, INDIANA

January 1, 2015 to December 31, 2018



FILED
08/29/2019

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

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Susie Roberts	06-01-12 to 12-31-19
Mayor	Harold Goffinet Gay Ann Harney	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President of the Board of Public Works	Harold Goffinet Gay Ann Harney	01-01-15 to 12-31-15 01-01-16 to 12-31-19
President Pro Tempore of the Common Council	Connie L. Hargis	01-01-15 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF ROCKPORT, SPENCER COUNTY, INDIANA

This report is supplemental to our audit report of the City of Rockport (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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, was not verified for accuracy.

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

July 15, 2019

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CLERK-TREASURER
CITY OF ROCKPORT

CLERK-TREASURER
CITY OF ROCKPORT
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

On July 11, 2017, the City issued Waterworks Refunding Revenue Bonds. The bond proceeds of \$1,195,000 net of underwriter's discount of \$11,950 plus a transfer from the Water Debt Service fund of \$109,285, a transfer from the Water Bond & Int fund of \$114,147, and a transfer of \$58,787 from the Water Utility Operating fund were placed in a trust account and used to refund the Waterworks Revenue Bonds of 2000, the Waterworks Refunding Revenue Bonds of 2005, and to pay bond issuance costs. The bond proceeds and transfers in, as well as the related expenditures, were not recorded in the City's ledger.

As a result, cash receipts and disbursements totaling \$1,465,269 were not reported by the Clerk-Treasurer in the Indiana Gateway for Government Units financial reporting system, which is used to generate the Annual Financial Report and financial statements.

Adjustments were proposed, approved by the City, and made to the Financial Statements.

The City had established internal controls over financial transactions and reporting; however, the controls were not effective. The established controls did not prevent, or detect and correct, errors with the recording of the transactions related to the issuance of Waterworks Refunding Revenue Bonds.

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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](#)."

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* ROCKPORT

GAY ANN HARNEY, MAYOR
SUSIE ROBERTS, CLERK-TREASURER
ROXANNA DECKER, COUNCIL AT LARGE
JOSEPH CARPENTER, WARD 1
FERMAN YEARBY, WARD 2
DONNA LASHLEY, WARD 3
CONNIE HARGIS, WARD 4

OFFICIAL RESPONSE

July 16, 2019

RE: Findings from our 2015-2018 audit

To Whom It May Concern:

In 2017 we hired Umbaugh to refinance our water bonds for the city. Due to the fact that Umbaugh sent the bond proceeds, from the new issue, to a trustee to pay off our existing bonds - the City did not physically have those funds in our possession.

Umbaugh did not instruct me to make any transactions regarding the payment to those bond holders (for a total of \$1,465,269) so those transactions were not made.

I have now implemented a policy in our Internal Controls manual to make sure to enter the "payoff" of all existing bonds when refinancing - even if we do not physically have the funds to do so.

Thank you for bringing this to my attention.

Sincerely,



Susie Roberts
Clerk-Treasurer
City of Rockport

CLERK-TREASURER
CITY OF ROCKPORT
EXIT CONFERENCE

The contents of this report were discussed on July 15, 2019, with Susie Roberts, Clerk-Treasurer; Gay Ann Harney, Mayor; and Connie L. Hargis, President Pro Tempore of the Common Council.