

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF CARMEL

HAMILTON COUNTY, INDIANA

January 1, 2018 to December 31, 2018



FILED
08/30/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Mayor	James Brainard	01-01-16 to 12-31-19
Clerk-Treasurer	Christine Pauley	01-01-16 to 12-31-19
President of the Common Council	Kevin Rider Jeff Worrell	01-01-18 to 12-31-18 01-01-19 to 12-31-19
President of the Board of Public Works and Safety	James Brainard	01-01-16 to 12-31-19
President of the Redevelopment Authority	Robert Bush	01-01-18 to 12-31-19
President of the Redevelopment Commission	William Hammer	01-01-18 to 12-31-19
Utilities Director	John Duffy	01-01-18 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF CARMEL, HAMILTON COUNTY, INDIANA

This report is supplemental to our audit report of the City of Carmel (City), for the period from January 1, 2018 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 the Comprehensive Annual Financial Report of the City, which provides our opinions 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 28, 2019

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CLERK-TREASURER
CITY OF CARMEL

CLERK-TREASURER
CITY OF CARMEL
AUDIT RESULTS AND COMMENTS

CONDITION OF RECORDS

The same comment also appeared in the prior Reports B48609, B49350, and B50857.

The City had multiple funds whose cash was held in Trust. These funds included the Redevelopment Commission Fund, 2016 Property Tax Bond Construction 1 to 2016 Property Tax Bond Construction 13 funds, and the Storm Water fund. No financial records to support these funds were presented for audit. However, sufficient information was presented to establish beginning balances, receipts, disbursements, ending balances, and to verify the accuracy and correctness of the transactions for all of the above mentioned funds. Since these funds' financial records were not a part of the Clerk-Treasurer's records, the bank reconciliation performed by the City omitted these funds. The total omitted from the City records and the bank reconciliation was \$29,718,413.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

The cash balance of a particular fund shall be determinable from comparison of the entries in the Ledger of Receipts, Disbursements, and Balances which shall be balanced and reconciled with bank balances monthly.

The subtraction of total disbursements of a fund from the sum of total receipts and the cash balance at the beginning of a particular period should produce the cash balance of that fund. This calculation shall be made monthly and the cash balance of each fund at the close of the month shall be entered and reconciled with bank account balances. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 2)

CONSTRUCTION IN PROGRESS DELETIONS

The City did not maintain a proper listing of construction in progress for the audit period. The records maintained by the City for construction in progress included projects that were completed prior to the audit period. This resulted in the presented construction in progress to be overstated, the capital assets to be understated, and the accumulated depreciation to be understated due to depreciation expense not being recognized in the correct year for governmental activities.

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
CITY OF CARMEL
EXIT CONFERENCE

The contents of this report were discussed on July 16, 2019, with Christine Pauley, Clerk-Treasurer; Jeff Worrell, President of the Common Council; Dianne Walthall, Director of Financial Reporting; Ann Bingman, Director of Internal Controls; Jim Crider, Director of Administration; Henry Mestetsky, Executive Director of the Department of Redevelopment; Arnie Hanish, Audit Committee Chairman; Jo Biggers, Audit Committee member; Mike Ruggiero, Audit Committee member; Ted Spearman, Supervisor Utilities Accounting; Curt Coonrod, Consultant; and Stephanie Lilly, Consultant.