

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF EVANSVILLE

VANDERBURGH COUNTY, INDIANA

January 1, 2018 to December 31, 2018



**FILED**  
09/11/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Russell G. Lloyd, Jr., CPA	01-01-18 to 12-31-19
Mayor	Lloyd Winnecke	01-01-16 to 12-31-19
President of the Board of Public Works	Marty Amsler	01-01-18 to 12-31-19
President of the Common Council	Jim Brinkmeyer	01-01-18 to 12-31-19
Director of Utilities	Allen Mounts	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 EVANSVILLE, VANDERBURGH COUNTY, INDIANA

This report is supplemental to our audit report of the City of Evansville (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 Federal Findings and Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the City, which provides our opinions on the City's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

The Federal Finding, identified in the above referenced audit report, is included in this report and should be viewed in conjunction with the Audit Result and Comment as described below.

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 Corrective Action Plan for the Federal Finding and Official Response to the Audit Result and Comment, incorporated within this report, were not verified for accuracy.

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

August 22, 2019

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CITY CONTROLLER  
CITY OF EVANSVILLE

CITY CONTROLLER  
CITY OF EVANSVILLE  
AUDIT RESULT AND COMMENT

**OVERDRAWN CASH BALANCES**

Similar comments also appeared in prior reports B43517, B44197, B45887, B47236, B49088, and B51161, entitled *OVERDRAWN CASH BALANCES*.

The financial statement presented for audit included the following funds with overdrawn cash balances at December 31, 2018:

Fund	Amount Overdrawn
Parking	\$ 14,660
Golf Course	1,152,273
Hospitalization	2,684,901

The following funds contained cash deficit balances throughout the audit period:

Fund	Number of Months Ended in Deficit balance During 2018	Highest Month-End Deficit Balance During 2018
General	10	\$ 17,403,481
Parks And Recreation	6	1,285,177
Golf Course	12	1,190,341
Parking	11	67,460
Sports Non-Reverting	11	200,526
Master TIF Projects	4	556,406
Redevelopment - Victory	9	383,957
Hospitalization	12	3,989,849

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)

CITY CONTROLLER  
CITY OF EVANSVILLE  
EXIT CONFERENCE

The contents of this report were discussed on August 22, 2019, with Russell G. Lloyd, Jr., CPA, City Controller; Lloyd Winnecke, Mayor; Jonathan Weaver, Common Council member; Marty Amsler, President of the Board of Public Works; Allen Mounts, Director of Utilities; Jenny Collins, Utilities CFO; Charles W. Pride, Jr., CPA, Utilities Controller; and Steve Schaefer, Deputy Mayor.

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CITY ENGINEER  
CITY OF EVANSVILLE

CITY ENGINEER  
CITY OF EVANSVILLE  
FEDERAL FINDING

***FINDING 2018-001***

Subject: Highway Planning and Construction Cluster - Period of Performance  
Federal Agency: Department of Transportation  
Federal Program: Highway Planning and Construction  
CFDA Number: 20.205  
Federal Award Number and Year (or Other Identifying Number): DES 1700400  
Pass-Through Entity: Indiana Department of Transportation  
Compliance Requirement: Period of Performance  
Audit Findings: Material Weakness, Other Matters

*Condition*

An effective internal control system was not in place at the City in order to ensure compliance with requirements related to the grant agreement and the Period of Performance compliance requirement. Requested draws for project DES 1700400 included expenditures for services rendered prior to receiving the Notice to Proceed (NTP) from the Indiana Department of Transportation (INDOT). Work on a federal project for the Highway Planning and Construction program cannot begin until a NTP has been received by the Local Public Agency from INDOT.

*Context*

Due to the lack of controls, 32 percent of the expenditures included on a reimbursement request submitted on October 9, 2018, were obligated before the grant funds were authorized for payment. The reimbursement request was for the period of April 1, 2018 to April 30, 2018, and included a vendor invoice dated May 25, 2018, for services rendered through April 30, 2018. The City did not receive the NTP from INDOT until May 7, 2018.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal

CITY ENGINEER  
CITY OF EVANSVILLE  
FEDERAL FINDING  
(Continued)

award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.309 states:

"A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance (except as described in § 200.461 Publication and printing costs) and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity."

*Cause*

Management of the City did not have an effective system of internal controls in place to ensure compliance with the grant agreement and the Period of Performance compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the Period of Performance compliance requirement could have resulted in the loss of federal funds to the City.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the City's management establish a system of internal controls related to the grant agreement and the compliance requirement listed above.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

LLOYD WINNECKE  
MAYOR



RUSSELL LLOYD JR., CPA  
CONTROLLER

## CITY OF EVANSVILLE

### Office of the Controller

1 N.W. MARTIN LUTHER KING, JR. BLVD., EVANSVILLE, INDIANA 47708  
CIVIC CENTER COMPLEX, ROOM 300  
(812) 436-4919 FAX (812) 436-4926

### CORRECTIVE ACTION PLAN

#### ***FINDING 2018-001***

Contact Person Responsible for Corrective Action:

Russell Lloyd, Controller  
Brent Schmitt, City Engineer

Contact Phone Number:

812-436-4919

Views of Responsible Official:

The City of Evansville management concurs with the State Board of Account auditor's federal award audit finding no. 2018-001 outlining material weakness and other matters of noncompliance with the federal grant award utilizing federal highway planning and construction funds.

Description of Corrective Action Plan:

The City Engineer will use a checklist for review of federal highway grant awards' for the Notice To Proceed (NTP) so that the NTP is in place before any federal reimbursement funds are requested. The Walnut Street Project request for federal funds that was the subject of the Finding No. 2018-001 was made in error when local funding was available. The City Engineer and Transportation Executive Assistant bookkeeper will review these types of projects to forestall any future error of this type.

Anticipated Completion Date:

July 9, 2019

Russell Lloyd Jr. CPA  
(Signature)

CONTROLLER  
(Title)

8-20-19 8-20-19  
(Date)

CITY ENGINEER  
CITY OF EVANSVILLE  
EXIT CONFERENCE

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