

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF JONESBORO

GRANT COUNTY, INDIANA

January 1, 2015 to December 31, 2018



FILED
10/28/2019

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	6-7
Ordinances, Resolutions, and Policies	7
Exit Conference	8
Common Council:	
Audit Result and Comment:	
Training on Internal Control Standards	10
Exit Conference	11

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Brittany Couse	02-14-12 to 12-31-19
Mayor	Robert McNutt	01-01-15 to 12-31-19
President of the Board of Public Works	Robert McNutt	01-01-15 to 12-31-19
President Pro Tempore of the Common Council	Robert Couse Quinten Shipley	01-01-15 to 12-31-16 01-01-17 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF JONESBORO, GRANT COUNTY, INDIANA

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

September 11, 2019

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CLERK-TREASURER
CITY OF JONESBORO

CLERK-TREASURER
CITY OF JONESBORO
AUDIT RESULTS AND COMMENTS

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Training on the internal control standards that was developed or approved by the Indiana State Board of Accounts was completed by City personnel. The Clerk-Treasurer indicated on the Annual Financial Report (AFR) for 2016 and 2017 that personnel required to be trained on internal controls had received training. However, evidence was not presented that personnel required to receive training actually received it. Therefore, the AFR submitted for 2016 and 2017 was incorrect. The Clerk-Treasurer indicated on the AFR for 2018 that personnel required to be trained on internal controls had not received training.

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

There were deficiencies in the internal control system of the City related to financial transactions and reporting. The City had not separated incompatible activities related to cash and investments and financial close and reporting. The failure to establish these controls could have enabled material misstatements to occur and remain undetected.

Cash and Investments

The Clerk-Treasurer completed the monthly bank reconciliements without a system of oversight, review, or approval.

Financial Close and Reporting

The Clerk-Treasurer entered the information into the Indiana Gateway for Government Units financial reporting system without an oversight, review, or approval process to ensure the accuracy of the information submitted.

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:

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

"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. . . ."

ORDINANCES, RESOLUTIONS, AND POLICIES

The City had established procedures for non-payment of utility bills by utility customers. Per Common Council approved ordinances, customers receive a 10 percent penalty charge if the bill has failed to be paid by the 15th of the month. If the water bill is not paid by 25th of the month, then water service is disconnected. The City had failed to follow these ordinances regarding late penalties and water shut off procedures for delinquent utility accounts during the audit period.

It was brought to the City's attention that some properties were not being billed for their utility consumption starting in 2015. The City discovered that various customer accounts were listed as finalized within the software system when they were actually still active customers. This was made possible due to the negligence of the prior Utility Clerk. On meter reading days, the prior Utility Clerk was able to access the utility software and coded accounts as finalized so the meter was not read. The following day, the prior Utility Clerk would recode the account as active so that the customer could continue to consume water. As a result, based on a review by current City officials, a total of 14 customers' accounts were consuming water without receiving a bill. Of the 14 accounts (properties) identified, all were adjusted for their usage over a four-year period from 2015 to 2018. The total adjustments added to the 14 accounts was \$14,236. However, the City failed to add penalties to these 14 customer accounts. As of December 31, 2018, all properties with delinquent accounts had liens filed against them. The City adjusted all customer accounts to remove the total lien amount from accounts receivable and maintains files of all properties with liens filed with the County Auditor.

The City took appropriate action and reviewed all properties within the City. All accounts that were finalized from November 2016 to January 2017 were inspected to verify no citizens were residing at the property. All properties within the City were physically inspected for residency and if residents were present. The City verified that the property was billed each month for their consumption of water. The City now believes all active customers are receiving monthly utility bills.

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
CITY OF JONESBORO
EXIT CONFERENCE

The contents of this report were discussed on September 11, 2019, with Brittany Couse, Clerk-Treasurer; Robert McNutt, Mayor; and Quinten Shipley, President Pro Tempore of the Common Council.

COMMON COUNCIL
CITY OF JONESBORO

COMMON COUNCIL
CITY OF JONESBORO
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

The City did not retain documentation as evidence that personnel received training on the internal control standards and procedures adopted by the political subdivision.

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 JONESBORO
EXIT CONFERENCE

The contents of this report were discussed on September 11, 2019, with Quinten Shipley, President Pro Tempore of the Common Council.