

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF GARRETT

DEKALB COUNTY, INDIANA

January 1, 2015 to December 31, 2018



**FILED**  
11/13/2019



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Marcie Conkle	01-01-12 to 12-31-19
Mayor	Tonya Hoeffel (deceased)	01-01-12 to 09-06-15
	(Vacant)	09-07-15 to 09-30-15
	Chris Hoeffel	10-01-15 to 12-31-15
	Todd Fiandt	01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Tonya Hoeffel (deceased)	01-01-15 to 09-06-15
	(Vacant)	09-07-15 to 09-30-15
	Chris Hoeffel	10-01-15 to 12-31-15
	Todd Fiandt	01-01-16 to 12-31-19
President Pro Tempore of the Common Council	Brad Stump	01-01-15 to 12-31-19
Superintendent of Water Utility	Pat Kleeman	01-01-15 to 12-31-19
Superintendent of Wastewater Utility	Bruce Schlosser	01-01-15 to 12-31-19
Superintendent of Electric Utility	Dave Vanderbosch	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 GARRETT, DEKALB COUNTY, INDIANA

This report is supplemental to our audit report of the City of Garrett (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/](http://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

October 1, 2019

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CLERK-TREASURER  
CITY OF GARRETT

CLERK-TREASURER  
CITY OF GARRETT  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROL OVER FINANCIAL TRANSACTIONS AND REPORTING**

*Condition and Context*

There were several deficiencies in the internal control system of the City related to financial transactions and reporting.

*Cash and Investments*

One employee was responsible for performing the reconciliation of the depository account balance with the record balance. There were no controls in place, such as an oversight, review, or approval process of the bank reconciliations.

*Receipts*

One employee was responsible for issuing receipts for funds, balancing one of the cash drawers, preparing daily deposits for the bank accounts and taking the deposits to the bank, and preparing the bank reconciliation. There were no controls in place, such as oversight, review, or approval of the daily deposits.

*Financial Close and Reporting*

The Clerk-Treasurer inputs the year-end information into the Indiana Gateway to Government Units (Gateway) financial reporting system, which was the source of the Annual Financial Report (AFR), without an oversight, approval, or review process in place to ensure the accuracy of the information submitted.

*Criteria*

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. . . .

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

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. . . ."

**ANNUAL FINANCIAL REPORT - SUPPLEMENTARY SCHEDULES**

*Condition and Context*

The Schedule of Leases and Debt, which was prepared each year using Gateway, contained errors. The schedule was originally prepared by the City according to amortization schedules, rather than actual ending principal balances due.

The Schedule of Payables and Receivables, which was prepared each year using Gateway, did not consider all accounts payables for utility funds.

The Schedule of Capital Assets, which was prepared each year using Gateway, had not been properly maintained by the City. The City does not maintain a complete detailed listing of capital assets owned. The capital asset totals reported in the AFR are based upon additions and deletions added to the previous year.

*Criteria*

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](#)."

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)

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)

*City of Garrett*  
*Office of the Clerk-Treasurer*  
*Maralee L. Conkle*

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October 1, 2019

**OFFICIAL RESPONSE**

**INTERNAL CONTROL OVER FINANCIAL TRANSACTIONS AND REPORTING**

Cash and Investments

The City has changed the duties and responsibilities pertaining to the bank depositing and the review and approval process for bank reconciliation as per State Board of Account standards.

Receipts

The City has changed this process and the responsibilities for the bank deposit have been assigned to other personnel as well as the review, oversight and approval process.

Financial Close and Reporting

The City does have a process in place for the input into gateway for the Annual Report. It is a group effort, which includes payroll, accounts payable and utility bookkeeper staff, in obtaining the information needed to complete the report. The City will now include a form and signatures of all involved with the annual report review, oversight and approval of information submitted.

**ANNUAL FINANCIAL REPORT – SUPPLEMENTARY SCHEDULES**

Schedule of Leases and Debt

The City has corrected this and will following State Board of Account guidelines when submitting information for the leases and bonds.

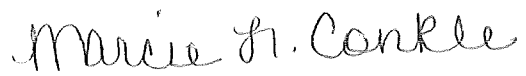
Schedule of Payables and Receivables

The City does include payables with an invoice date of December but paid in January but we will now include invoices dated January but have usage or a purchase date of December. Example our Purchase Power bill which is a January invoice but usage is for December.

Schedule of Capital Assets

The City will be working on updating our Capital Asset program as well as get assistance with an outside firm maintaining our Capital Assets according to State Board of Accounts Standards.

Regards

A handwritten signature in cursive script that reads "Marcie L. Conkle".

Marcie L. Conkle

CLERK-TREASURER  
CITY OF GARRETT  
EXIT CONFERENCE

The contents of this report were discussed on October 1, 2019, with Marcie Conkle, Clerk-Treasurer; Todd Fiandt, Mayor; Tom Kleeman, Common Council member; Amanda Charles, Common Council member; and Dave Demske, Common Council member.