

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF BUTLER

DEKALB COUNTY, INDIANA

January 1, 2017 to December 31, 2018



FILED
04/27/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Angela M. Eck	01-01-16 to 12-31-23
Mayor	Ron L. Walter Mike Hartman	01-01-16 to 12-31-19 01-01-20 to 12-31-23
President of the Board of Public Works	Ron L. Walter Mike Hartman	01-01-16 to 12-31-19 01-01-20 to 12-31-23
President Pro Tempore of the Common Council	Eric Johnson	01-01-17 to 12-31-20
City Court Judge	The Honorable Richard Obendorf	01-01-16 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF BUTLER, DEKALB COUNTY, INDIANA

This report is supplemental to our audit report of the City of Butler (City), for the period from January 1, 2017 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 Statement Audit Report of the City, which provides our opinions on the City's financial statement. 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

April 13, 2020

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CLERK-TREASURER
CITY OF BUTLER

CLERK-TREASURER
CITY OF BUTLER
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal control system of the City related to financial transactions and reporting. The City had established an effective internal control system, but had not properly implemented the system, related to receipts and financial close and reporting. The failure to implement these controls could have enabled material misstatements to occur and remain undetected.

Receipts

The City had properly segregated duties related to issuing receipts, posting receipts, and depositing receipts, but had not implemented a documented review process. There was no documented oversight, review, or approval process to ensure their accuracy.

Financial Close and Reporting

The City had properly segregated duties relating to entering and submitting the City's financial information into the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Report and financial statement, but had not implemented a documented review process. There was no documented oversight, review, or approval process to ensure the accuracy of the information entered and 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. . . .

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. . . ."

CLERK-TREASURER
CITY OF BUTLER
EXIT CONFERENCE

The contents of this report were discussed on April 13, 2020, with Angela M. Eck, Clerk-Treasurer; Mike Hartman, Mayor; and William C. White, Common Council member.

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CITY COURT
CITY OF BUTLER

CITY COURT
CITY OF BUTLER
AUDIT RESULT AND COMMENT

SUPPLEMENTAL ANNUAL FINANCIAL REPORT

This is a repeat comment from the immediately prior Report B48710.

Condition and Context

The Supplemental Annual Financial Reports (AFR) were not filed by the City Court during the audit period. The City Court should have completed the Supplemental AFR at the end of each calendar year and submitted it to the Clerk-Treasurer, so that the Clerk-Treasurer can complete and file the AFR.

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](#)."

CITY COURT
CITY OF BUTLER
EXIT CONFERENCE

The contents of this report were discussed on April 13, 2020, with the Honorable Richard Obendorf, City Court Judge; Angela M. Eck, Clerk-Treasurer; Mike Hartman, Mayor; and William C. White, Common Council member.