

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF GOSHEN

ELKHART COUNTY, INDIANA

January 1, 2019 to December 31, 2019



**FILED**

08/19/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Angela McKee Adam Scharf	01-01-19 to 12-31-19 01-01-20 to 12-31-20
Mayor	Jeremy P. Stutsman	01-01-19 to 12-31-20
President of the Board of Public Work	Jeremy P. Stutsman	01-01-19 to 12-31-20
President of the Common Council	Brett Weddell	01-01-19 to 12-31-20



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE CITY OF GOSHEN, ELKHART COUNTY, INDIANA

This report is supplemental to our audit report of the City of Goshen (City), for the period from January 1, 2019 to December 31, 2019. 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/](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

July 23, 2020

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CLERK-TREASURER  
CITY OF GOSHEN

CLERK-TREASURER  
CITY OF GOSHEN  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

*Condition and Context*

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

*Financial Reporting*

The Deputy-Treasurer compiled financial data for City consultants to prepare the Annual Financial Report (AFR) through the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the financial statement. While there was supporting documentation presented for the AFR, there was no evidence of a review or approval process over the report submitted by the Clerk-Treasurer in Gateway to ensure the accuracy of the information prior to submission.

*Payroll Disbursements*

The City used a service organization to process payroll. The City had not separated incompatible activities for reporting hours worked to the service organization from approved time sheets. The payroll clerk input hours worked to the service organization from the approved time sheets, and verified that the hours input were correct from the service organization's reports. There was no evidence of an oversight, review, or approval process of hours worked, separate from the payroll clerk.

*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:

CLERK-TREASURER  
CITY OF GOSHEN  
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. . . ."

**MOTOR VEHICLE HIGHWAY RESTRICTED**

*Condition and Context*

The City did not allocate 50 percent of funds from the Motor Vehicle Highway Fund to the Motor Vehicle Highway Restricted fund for 6 of 12 state distributions. As a result, the Motor Vehicle Highway Fund balance was overstated by \$357,582, and the Motor Vehicle Highway Restricted fund balance was understated by \$357,582. The City was requested to make a correcting entry to reflect the proper fund allocations.

*Criteria*

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted. (State Examiner Directive 2018-2)

CLERK-TREASURER  
CITY OF GOSHEN  
EXIT CONFERENCE

The contents of this report were discussed on July 23, 2020, with Adam Scharf, Clerk-Treasurer; Angela McKee, former Clerk-Treasurer; Jeffery Weaver, Deputy Clerk-Treasurer; Jeremy P. Stutsman, Mayor; Brett Weddell, President of the Common Council; Jim McKee, Common Council member; and Julia King, Common Council member.