

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF SEYMOUR

JACKSON COUNTY, INDIANA

January 1, 2018 to December 31, 2019



**FILED**

11/06/2020



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Clerk-Treasurer:	
Audit Results and Comments:	
Internal Controls over Financial Transactions Reporting .....	6-7
Certification on Internal Control Standards .....	8
Exit Conference .....	9

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Fred D. Lewis Darrin Boas	01-01-18 to 12-31-19 01-01-20 to 12-31-20
Mayor	Craig Luedeman Matthew Nicholson	01-01-18 to 12-31-19 01-01-20 to 12-31-20
President of the Board of Public Works and Safety	Craig Luedeman Matthew Nicholson	01-01-18 to 12-31-19 01-01-20 to 12-31-20
President Pro Tempore of the Common Council	James W. Rebber Dave Earley	01-01-18 to 12-31-19 01-01-20 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 SEYMOUR, JACKSON COUNTY, INDIANA

This report is supplemental to our audit report of the City of Seymour (City), for the period from January 1, 2018 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

September 22, 2020

(This page intentionally left blank.)

CLERK-TREASURER  
CITY OF SEYMOUR

CLERK-TREASURER  
CITY OF SEYMOUR  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS 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:

*Financial Close and Reporting*

The City did not have a proper system of internal controls over financial close and reporting to prevent, or detect and correct, errors on the financial statement. The Clerk-Treasurer prepared and submitted the Annual Financial Report into the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statement. There was no evidence of an oversight, review, or approval process to ensure that the information was accurate prior to submission.

*Financial Transactions*

The City did not have a proper system of internal controls in place to ensure all financial activity of the City was properly recorded in the financial records. The City utilized a third-party administrator to process the health insurance claims of the City's Self-Insurance plan. A separate bank account controlled by the City was used to make payment for the claims processed by the administrator. The City would periodically authorize and properly approve transfers to this bank account in order to ensure sufficient funds were available to pay the health insurance claims and contractual administrative fees as they came due. Weekly, the administrator would send the City a detail listing of the health insurance claims it had processed on behalf of the City and any administrative fees due. Upon review of the listing by the Second Deputy Clerk-Treasurer, an electronic withdraw would be authorized to the administrator in the amount of the claims processed and any administrative fees owed. Transactions related to the monies transferred into the bank account and payments to the third-party administrator were not accounted for in the financial records of the City.

Audit adjustments were proposed, accepted by the City, and made to the financial statement.

*Disbursements*

City did not have a proper system of internal controls over disbursements related to its Self-Insurance plan. Payments made to the City's third-party administrator for the processing of health insurance claims and payment of related administrative fees, were not presented for review and approved by the Clerk-Treasurer and the Board of Public Works.

*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 SEYMOUR  
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. . . ."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

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

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The Clerk-Treasurer certified on the Indiana Gateway for Government Units financial reporting system that it had adopted the minimum internal control standards as required by Indiana Code 5-11-1-27(e) and that all personnel defined by Indiana Code 5-11-1-27(c) had not received training concerning the internal control standards adopted by the City for the calendar year 2018; however, inquiry and review indicated that required City employees had received training concerning the internal control standards.

*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](#)."

CLERK-TREASURER  
CITY OF SEYMOUR  
EXIT CONFERENCE

The contents of this report were discussed on September 22, 2020, with Matthew Nicholson, Mayor; Darrin Boas, Clerk-Treasurer; Dave Earley, President Pro Tempore of the Common Council; Jerry Hackney, Common Council member; and Drew Storey, Common Council member.