

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF EVANSVILLE

VANDERBURGH COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED
01/07/2021

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|-----------------------------------------------------|----------------------------------------|----------------------------------------------------------------------|
| Controller | Russell G. Lloyd, Jr., CPA | 01-01-19 to 12-31-20 |
| Mayor | Lloyd Winnecke | 01-01-19 to 12-31-20 |
| President of the Board of Public Works | Marty Amsler | 01-01-19 to 12-31-20 |
| President of the Common Council | Jim Brinkmeyer Alex Burton | 01-01-19 to 12-31-19 01-01-20 to 12-31-20 |
| Director of Utilities | Allen Mounts (Vacant) Lane Young | 01-01-19 to 08-14-20 08-15-20 to 08-23-20 08-24-20 to 12-31-20 |
| Chief Financial Officer of Utilities | Jenny Collins | 01-01-19 to 12-31-20 |
| President of the Department of Water Works Board | Robert Dillow | 01-01-19 to 12-31-20 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF EVANSVILLE, VANDERBURGH COUNTY, INDIANA

This report is supplemental to our audit report of the City of Evansville (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 Statements Audit Report of the City, which provides our opinions 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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

December 17, 2020

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CONTROLLER
CITY OF EVANSVILLE

CONTROLLER
CITY OF EVANSVILLE
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

Condition and Context

There were several deficiencies in the internal control systems for the City of Evansville related to Accounts Payable, Debts Payable, Net Pension Liability, Net OPEB Liability, Deferred Inflows, and Deferred Outflows. The City had not separated incompatible activities related to these areas of the financial statements.

Accounts Payable

Although the City of Evansville had established an internal control related to Accounts Payable where the Bookkeeping Supervisor generates the report and the Deputy Controller reviews the report and enters the information into the Indiana Gateway for Government Units financial reporting system, there was no audit evidence that could be provided to verify that the internal control was in effect during the audit period.

Debts Payable

Although the City of Evansville had established an internal control related to Debts Payable, there was no audit evidence that could be provided to verify that the internal control was in effect during the audit period.

Net Pension Liability, Net OPEB Liability, Deferred Inflows, and Deferred Outflows

There was no internal control process in place to ensure that the census data used to calculate Net Pension Liability, Net OPEB Liability, and related Deferred Inflows and Deferred Outflows was complete and accurate.

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. . . ."



**CITY OF EVANSVILLE
CONTROLLER'S OFFICE
CIVIC CENTER COMPLEX, ROOM 300
ONE N. W. MARTIN LUTHER KING JR. BLVD.
EVANSVILLE, IN 47708**

Lloyd Winnecke, Mayor

Russell Lloyd Jr. CPA, Controller

January 5, 2021

Indiana State Board of Accounts
302 W. Washington St. Room E418
Indianapolis, IN 46204-2765

OFFICIAL RESPONSE TO 2019 INDEPENDENT AUDITOR'S REPORT

Reference: Official Response to 2019 State Board of Accounts Audit of the Financial Statements of the City of Evansville, Indiana

Dear State Board Member(s):

The City of Evansville ("the City") recognizes the efforts put forth by the Indiana State Board of Accounts ("the State") performing the 2019 financial statement audit for the City. We submit below our responses to your audit findings. Our responses detail our understanding of the issues raised by the State and outline the City's expected course of action to explain and resolve this finding.

For purposes of this letter, we are referring to the financial statement audit for the fiscal year ending December 31, 2019.

The City of Evansville management concurs with the State Board of Account auditor's Finding 2019-001 outlining material weakness in internal controls over accounts payable, debts payable, net pension liability, net OPEB liability and deferred inflows and deferred outflows.

Accounts Payable: The City of Evansville has used a process of management review when preparing the accounts payable report for upload to the state GATEWAY portal. The Accounts Payable Manager prepares the report and the Deputy Controller or Controller reviews the report prior to upload. The upload process includes the Controller's electronic signature. As an additional process for evidence of review the City accounts payable report will be physically initialed and dated by the Deputy Controller or an appropriate manager.

Anticipated Completion Date: January 1, 2021

Debts Payable: The City of Evansville has used a process of management review when preparing the City debt payable report and individual debt issues for upload to the state GATEWAY portal. The Finance Officer prepares the debt payable report and the Deputy Controller or Controller reviews the report prior to upload. The upload process includes the Controller's electronic signature. As an additional process for evidence of review the City debt payable report will be physically initialed and dated by the Deputy Controller or an appropriate manager.

Anticipated Completion Date: January 1, 2021

Net Pension Liability, Net OPEB Liability, Deferred Inflows, and Deferred Outflows: The City of Evansville Administrative Services Payroll Dept. uses employee census data to upload employee enrollment information to the State Public Employee Retirement Fund System (PERF) and the City self-insured health insurance plan. The City prepares employee and employer contributions to the plans through payroll and accounting processes. City staff review employee contribution information and eligibility regularly and during employee maintenance changes.

To implement additional controls the City will look to prepare interim periodic reports (monthly, quarterly) using Tyler Technology MUNIS software to prepare lists of participants and City employee and employer contributions and other census data. Particular attention will be paid to new plan entrants. Additionally, the City will contact Indiana PERF to determine available participant interim periodic reports (monthly, quarterly) showing employee census data, employee and employer contributions, new plan entrants among other data. The OPEB retiree health insurance third party administrator will be contacted to determine whether they can provide interim periodic census data including employee and employer contributions and new plan entrants. Administrative Services management will review the reports especially new plan entrants and contributions. City Finance staff will review reports at accounting period cut offs. By reviewing the census data to minimize data entry errors the fund flows will assist in minimizing deferred inflow and deferred outflow errors as calculated by the plan actuaries.

Anticipated Completion Date: June 30, 2021

Please contact me at 812-436-4919 or email rloyd@evansville.in.gov if any questions.

Respectively submitted,



Russell G. Lloyd Jr., CPA
Controller

CONTROLLER
CITY OF EVANSVILLE
EXIT CONFERENCE

The contents of this report were discussed on December 17, 2020, with Russell G. Lloyd, Jr., CPA, Controller; Lloyd Winnecke, Mayor; Steve Schaefer, Deputy Mayor; Jonathan Weaver, Common Council member; Jenny Collins, Chief Financial Officer of Utilities; Audrey Riney, Utilities Controller; Lane Young, Director of Utilities; Robert Dillow, President of the Department of Water Works Board; and Steve Heidorn, Vice President of the Department of Water Works Board.