

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF MOUNT VERNON

POSEY COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED
02/03/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cristi L. Sitzman	01-01-20 to 12-31-22
Mayor	G. William Curtis	01-01-20 to 12-31-22
President of the Board of Public Works	G. William Curtis	01-01-20 to 12-31-22
President Pro Tempore of the Common Council	Andy Hoehn	01-01-20 to 12-31-22
President of the Water Utility Board	G. William Curtis	01-01-20 to 12-31-22
Superintendent of Utilities	Charles Gray	01-01-20 to 12-31-22
Utilities Bookkeeper	Deann Blackburn Whittni Dike	01-01-20 to 05-31-20 06-01-20 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDIANAPOLIS, INDIANA 46204-2769

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TO: THE OFFICIALS OF THE CITY OF MOUNT VERNON, POSEY COUNTY, INDIANA

This report is supplemental to our audit report of the City of Mount Vernon (City), for the period from January 1, 2020 to December 31, 2020. 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

January 27, 2022

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CLERK-TREASURER
CITY OF MOUNT VERNON

CLERK-TREASURER
CITY OF MOUNT VERNON
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

The Utilities did not have a proper system of internal controls in place over financial close and reporting to prevent, or detect and correct, errors. Due to the lack of effective internal controls over the financial information provided by the Utilities to the Clerk-Treasurer, the financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report (AFR) and the financial statement, contained material errors that remained undetected.

The 2020 AFR and financial statement were materially incorrect and did not accurately reflect the transactions and balances of the Water Bond & Interest fund, Water Operating & Maintenance - United Fidelity fund, and Water Improvement - United Fidelity fund. Receipts and disbursements for the three funds were overstated by \$1,684,509 due to incorrectly reporting corrections of accounting errors. Erroneous amounts were included in the total receipts and disbursements instead of being eliminated.

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

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. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity 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 MOUNT VERNON
AUDIT RESULTS AND COMMENTS
(Continued)

RECORD OF HOURS WORKED

A similar comment appeared in a Management Letter addressed to the Clerk-Treasurer and Common Council for the audit period ending December 31, 2019.

Condition and Context

One employee holds two positions for the City, one as the Mayor's Administrative Assistant and one as the Building Commissioner Dilapidated Housing Clerk (housing clerk), and is compensated for both positions. There are not adequate time records maintained to determine when the employee is performing tasks related to each position. Per the Employee's Service Record, the employee is typically working seven-hour days in a five-day work week as the Mayor's Administrative Assistant. There was no breakdown of hours worked for the housing clerk position or other documentation showing if additional hours were worked.

Another employee also holds a position as the Building Commissioner Permitting Clerk. The employee did not maintain adequate time records, such as an Employee's Service Record or timecards, to document hours worked in the position. Compensation was paid to this employee without proper time documentation of work performed.

Criteria

Indiana Code 5-11-9-4(b) states in part:

"The state board of accounts shall require that records be maintained showing which hours are worked each day by officers and employees:

- (1) covered by section 1 or 2 of this chapter; and
- (2) employed by more than one (1) public agency or in more than one (1) position by the same public agency . . ."

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

- General Form 99A, Employee's Service Record
- General Form 99B, Employee's Earnings Record
- General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
CITY OF MOUNT VERNON
EXIT CONFERENCE

The contents of this report were discussed on January 27, 2022, with Cristi L. Sitzman, Clerk-Treasurer; Andy Hoehn, President Pro Tempore of the Common Council; G. William Curtis, Mayor; Charles Gray, Superintendent of Utilities; and Whittni Dike, Utilities Bookkeeper.

WATER AND WASTEWATER UTILITIES
CITY OF MOUNT VERNON

WATER AND WASTEWATER UTILITIES
CITY OF MOUNT VERNON
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

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WATER AND WASTEWATER UTILITIES
CITY OF MOUNT VERNON
AUDIT RESULTS AND COMMENTS
(Continued)

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RECEIPT ISSUANCE - UTILITY CUSTOMER PAYMENTS

Condition and Context

Water and Wastewater Utility receipts were not issued and recorded timely to the cash clearing accounts for daily customer payments. Instead of issuing receipts for the total daily customer payments and recording them in the ledger timely, the Utilities recorded a journal entry in the ledger for the total monthly customer collections. The journal entries were made to the cash clearing accounts and then the Utilities made transfers to the proper accounts at month end. This resulted in deposited customer payments not being recorded in the ledger for up to a month.

Criteria

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

WATER AND WASTEWATER UTILITIES
CITY OF MOUNT VERNON
EXIT CONFERENCE

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