

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF PRINCETON

GIBSON COUNTY, INDIANA

January 1, 2020 to December 31, 2020



**FILED**  
03/07/2022



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mindy Brines	01-01-20 to 12-31-22
Mayor	Greg Wright	01-01-20 to 12-31-22
President of the Board of Public Works	Greg Wright	01-01-20 to 12-31-22
President Pro Tempore of the Common Council	Sheri Greene	01-01-20 to 12-31-22



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF PRINCETON, GIBSON COUNTY, INDIANA

This report is supplemental to our audit report of the City of Princeton (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/](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.

Beth Kelley, CPA, CFE  
Deputy State Examiner

February 23, 2022

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CLERK-TREASURER  
CITY OF PRINCETON

CLERK-TREASURER  
CITY OF PRINCETON  
AUDIT RESULTS AND COMMENTS

**ACCOUNTING AND APPROPRIATION OF COVID-19 GRANTS**

*Condition and Context*

The City did not properly account for the COVID-19 - Coronavirus Relief Fund (CRF) in accordance with State Examiner Directive 2020-3 (Directive).

The Indiana Finance Authority reimbursement of \$261,414 for public health and safety payroll costs was received into the General Fund instead of the 150-COVID-19/CARES Act City Reimbursement fund (CARES fund). The City expended directly from the CARES fund prior to the dates of the Directive and the Requests for Reimbursement sent to the IFA.

At year end, the City transferred \$6,465 from the General Fund to the CARES fund to eliminate the negative balance in the fund and to cover the expenses for which reimbursement was not received instead of processing a reversing entry. This resulted in the disbursements being accounted for in the incorrect fund and made without appropriation.

*Criteria*

**Each local unit of government that receives an allocation from the Coronavirus Relief Fund administered by IFA shall establish a separate CARES grant fund with a fund number consistent with memorandum Accounting and Appropriation of COVID-19 Grants, April 29, 2020 (updated September 29, 2020).**

**All Reimbursements received from IFA shall be receipted into a separate CARES grant fund that is specific to IFA reimbursements. . . .**

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options.

**Option One.** Reimbursements received from IFA shall be receipted into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and re-appropriate the general fund (or other fund) in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the general fund (or other fund), it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once option one is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

**Option Two.** Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

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

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020. . . .**

**Reimbursed Costs Other than Public Health and Safety Payroll Costs**

Transactions for other permitted costs reimbursed by IFA must be accounted for through one of the following prescribed frameworks.

**Framework One.** Reimbursements received from IFA shall be receipted into the separate CARES grant fund. Reimbursed disbursements originally incurred in another fund will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the fund cash balance and reappropriate the fund in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the original fund, it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

**Framework Two.** If IFA has provided reimbursement based on unpaid invoices or purchase orders, then reimbursements received from IFA shall be receipted into the separate CARES grant fund. The expenditures to vendors will be made through the CARES grant fund and these expenditures must match the application made to IFA. If the actual invoice or invoices relating to a purchase order is less than the purchase order, then the difference in the money expended to the vendor and the amount received for the purchase order from IFA must be returned to IFA. The items on the invoice must match the items on the purchase order. All documentation must be maintained.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

**Framework Three.** If you have created a negative balance in your CARES fund based on expenditures made in anticipation of receipt of reimbursement for allowable expenditures where invoices have already been submitted to IFA then leave as is and receipt reimbursement when received, bringing the balance in the separate CARES grant fund to zero. Going forward, expend any anticipated allowable expenditures from a fund with an appropriation and follow framework one. If a negative balance in the CARES grant fund is not fully reimbursed, then the unreimbursed amount will require a reverse entry and posting of the expenditure to the general or other appropriate fund within an appropriated line item.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .** (State Examiner Directive 2020-3)

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

**CAPITAL ASSETS**

*Repeat Comment*

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

*Condition and Context*

The City maintained a complete listing of all capital assets owned at their acquisition value during the audit period. However, the City had not performed a physical inventory annually, as required by the City of Princeton Ordinance 2009-02.

*Criteria*

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**INTERNAL CONTROLS**

*Repeat Comment*

A similar comment also appeared in prior audit Report B55793, entitled *INTERNAL CONTROLS*.

*Condition and Context*

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

*Cash Receipts*

The City had not established a system of internal controls or separated incompatible activities related to receipts. The Deputy Clerk-Treasurer deposited and recorded receipts without a documented oversight, review, or approval process to ensure their accuracy.

*Financial Close and Reporting*

The City designed internal controls over financial close and reporting; however, there was no evidence of a review or approval process. The Clerk-Treasurer completed the input of financial information into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report and the financial statement. The Deputy Clerk-Treasurer reviewed the financial information entered prior to submission; however, there was no evidence of the review.

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

*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. . . ."

**MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND**

*Condition and Context*

The May 2020 State Motor Vehicle Highway Account distribution was incorrectly recorded in the Local Road and Street fund, rather than being split between the MVH fund and the MVH Restricted fund.

*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)

Indiana Code 8-14-1-5(c) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER  
CITY OF PRINCETON  
EXIT CONFERENCE

The contents of this report were discussed on February 23, 2022, with Mindy Brines, Clerk-Treasurer; Greg Wright, Mayor and President of the Board of Public Works; Bill Tuley, Common Council member; and Sheri Greene, President Pro Tempore of the Common Council.

COMMON COUNCIL  
CITY OF PRINCETON

COMMON COUNCIL  
CITY OF PRINCETON  
AUDIT RESULT AND COMMENT

**PAYROLL EXPENSES**

*Condition and Context*

The Common Council passed Salary Ordinances 2020-18 and 2019-5, which established the salaries and wages for officials and employees of the City, and the percentage of the salaries and wages that would be paid from each fund for year 2020. Three of the twelve employees' wages tested were paid a percentage from the General Fund, Water, and Wastewater Utility funds. The time records submitted by the employees did not document the breakdown of the time worked between the departments of the City.

*Criteria*

Expenses paid from utility funds should be directly related to the operation of the municipally owned utility. Expenditures for city and town operating costs should not be paid from utility funds. Furthermore, utility funds should not be used to pay for personal items. The cost of shared employees and equipment between a city or town and its utilities or between utilities should be prorated in a rational manner. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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: . . .

(2) employed by more than one (1) public agency or in more than one (1) position by the same public agency . . . "

COMMON COUNCIL  
CITY OF PRINCETON  
EXIT CONFERENCE

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