

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF TERRE HAUTE

VIGO COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED
07/14/2022

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---|---|--|
| Controller | Leslie A. Ellis, CPA | 01-01-20 to 12-31-22 |
| Mayor | Duke A. Bennett | 01-01-20 to 12-31-22 |
| President of the Board of Public Works | Jon Stinson | 01-01-20 to 12-31-22 |
| President of the Common Council | George Azar O. Earl Elliott Cheryl Loudermilk | 01-01-20 to 12-31-20 01-01-21 to 12-31-21 01-01-22 to 12-31-22 |
| Wastewater Utility Director | Debra Padgett | 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 TERRE HAUTE, VIGO COUNTY, INDIANA

This report is supplemental to our audit report of the City of Terre Haute (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.

Beth Kelley, CPA, CFE
Deputy State Examiner

June 29, 2022

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CONTROLLER
CITY OF TERRE HAUTE

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AUDIT RESULTS AND COMMENTS

CAPITAL ASSETS

The same comment appeared in prior Reports B45624, B48509, B50773, and B54219, and B55965.

Condition and Context

A complete detailed listing of all capital assets owned by the City and Wastewater Utility was not presented for audit.

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)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The City did not perform the required internal control training for all necessary new employees during 2020. However, the City certified on the Indiana Gateway for Government Units financial reporting system that the City had provided training on internal control standards. Since the City did not provide training on internal control standards, the certification that they had trained on internal control standards was incorrect.

Context

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](#)."

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

The City did not allocate 50 percent of the distributions received from the State Motor Vehicle Highway Account to the MVH - Restricted fund for 2 of 12 state distributions. Therefore, it was not possible to determine if the City used at least 50 percent of the state distributions for the purposes specified in Indiana Code 8-14-1-5(c).

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CITY OF TERRE HAUTE
AUDIT RESULTS AND COMMENTS
(Continued)

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."

OVERDRAWN CASH BALANCES

The same comment appeared in prior Reports B44483, B45624, B48509, B50722, B50773, B54219, and B55965.

Condition and Context

The financial statement presented for audit included the following funds with overdrawn cash balances as December 31, 2020:

| Fund | Amount Overdrawn |
|------------------------------|---------------------|
| HULMAN LINKS NON-REVERTING | \$ 4,853,669 |
| GROUP HEALTH - NON REVERTING | 1,676,580 |
| REA PARK NON-REVERTING | 1,540,553 |

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

A similar comment also appeared in prior Reports B54219 and B55965, entitled *MONTHLY AND ANNUAL ENGAGEMENT UPLOADS*.

Condition and Context

The City uploaded the required monthly and annual engagement uploads for 2020; however, the majority of the required monthly and annual engagement uploads for 2020 were not uploaded timely. Several were uploaded in March 2021 and others were not uploaded until November 2021.

CONTROLLER
CITY OF TERRE HAUTE
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

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)

Beginning with July 2018 files, which will be due September 15, 2018, **all** cities . . . will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients.

. . .

The following files and governmental unit information are required to be uploaded monthly:

- Bank reconcilements
- Approved board minutes
- Funds ledger, summarizing total receipts, disbursements, and balances by fund

In order to improve planning for the next engagement, a unit is encouraged to upload prior months' files beginning with the January 2018 files. Thereafter, monthly files must be uploaded no later than the 15th day of the second succeeding month, i.e., August monthly files are due on October 15.

The following files and governmental unit information are required to be uploaded annually:

- Year-end bank statement
- Year-end outstanding check list
- Year-end investment statements
- Detail of receipts for the year
- Detail of disbursements for the year
- Current year salary ordinance
- Annual employee earnings record
- Annual vendor history report

Annual files are due to be uploaded on Gateway no later than March 1, 2019. Thereafter, annual files must be uploaded no later than March 1 for the prior year end unless the SBOA establishes a different date. (State Examiner Directive 2018-1)

This amended directive is effective starting with December 2020 monthly files. The upload of December 2020 monthly files will be due February 15, 2021, . . . This is effective for 2020 annual files which will due for upload March 1, 2021, for calendar year end units. . . . (Amended State Examiner Directive 2018-1)

CONTROLLER
CITY OF TERRE HAUTE
EXIT CONFERENCE

The contents of this report were discussed on June 29, 2022, with Leslie A. Ellis, CPA, Controller; Jessica Thome, Chief Deputy Controller; Duke A. Bennett, Mayor; and Cheryl Loudermilk, President of the Common Council.

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COMMON COUNCIL
CITY OF TERRE HAUTE

COMMON COUNCIL
CITY OF TERRE HAUTE
AUDIT RESULTS AND COMMENTS

CAPITAL ASSETS

Condition and Context

The City did not have an approved capital asset policy that detailed the thresholds at which an item is considered a capital asset.

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)

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

New employees (in all departments of the City except for the Controller's office) who collected money, wrote receipts, posted transactions, and performed reconcilements had not received proper training on internal control standards.

Criteria

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

COMMON COUNCIL
CITY OF TERRE HAUTE
EXIT CONFERENCE

The contents of this report were discussed on June 29, 2022, with Leslie A. Ellis, CPA, Controller; Jessica Thome, Chief Deputy Controller; Duke A. Bennett, Mayor; and Cheryl Loudermilk, President of the Common Council.