

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, 2021 to December 31, 2021



FILED
09/21/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mindy Brines David M. Kennard	01-01-21 to 04-30-22 05-01-22 to 12-31-22
Mayor	Greg Wright	01-01-21 to 12-31-22
President of the Board of Public Works	Greg Wright	01-01-21 to 12-31-22
President Pro Tempore of the Common Council	Sheri Greene	01-01-21 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, 2021 to December 31, 2021. 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

September 1, 2022

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CLERK-TREASURER
CITY OF PRINCETON

CLERK-TREASURER
CITY OF PRINCETON
AUDIT RESULTS AND COMMENTS

ERRORS ON CLAIMS

Condition and Context

A detailed list of employees' salaries for each payroll is not provided to the Common Council for its review when approving payroll. In addition, 4 of 36 vendor claims selected for testing were not included on the claims dockets approved by the Common Council during the audit period.

Criteria

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. . . ."

INTERNAL CONTROLS

A similar comment also appeared in prior Reports B55793 and B58758, entitled *INTERNAL CONTROLS*.

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

Condition and Context

There was a deficiency in the internal control system of the City related to financial transactions and reporting. The City had not established a system of internal control 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.

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. . . ."

CLERK-TREASURER
CITY OF PRINCETON
EXIT CONFERENCE

The contents of this report were discussed on September 1, 2022, with David M. Kennard, Clerk-Treasurer; Greg Wright, Mayor; 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

Repeat Comment

A similar comment also appeared in prior Report B58758, entitled *PAYROLL EXPENSES*.

Condition and Context

The Common Council passed Salary Ordinances 2020-16 and 2020-19, 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 2021. Of the nine employees' wages tested, four 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

The contents of this report were discussed on September 1, 2022, with David M. Kennard, Clerk-Treasurer; Greg Wright, Mayor; and Sheri Greene, President Pro Tempore of the Common Council.