

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF OAKLAND CITY

GIBSON COUNTY, INDIANA

January 1, 2018 to December 31, 2021



**FILED**

11/15/2022



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Brenda G. Willis Tamara Basham Brenda G. Willis	01-01-18 to 12-31-19 01-01-20 to 04-30-20 05-01-20 to 12-31-22
Mayor	Hugh Wirth James Deffendall	01-01-18 to 12-31-19 01-01-20 to 12-31-22
President of the Board of Public Works	Hugh Wirth Alfred Cooper Jr.	01-01-18 to 12-31-19 01-01-20 to 12-31-22
President Pro Tempore of the Common Council	Pat Vinnedge Charles Cochren	01-01-18 to 12-31-18 01-01-19 to 12-31-22



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of the City of Oakland City (City), for the period from January 1, 2018 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 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/](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

November 1, 2022

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CLERK-TREASURER  
CITY OF OAKLAND CITY

CLERK-TREASURER  
CITY OF OAKLAND CITY  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

*Condition and Context*

There were deficiencies in the internal control system of the City related to financial transactions and reporting. The Clerk-Treasurer had not established an effective internal control system that separated incompatible activities related to receipts.

Several state and local distributions were improperly posted to the City's ledger. The schedule below lists the distributions that were posted to improper funds. The funds to which the amounts were improperly posted to were overstated, and the funds to which the amount should have been posted to were understated as follows:

<u>Years</u>	<u>Description</u>	<u>Overstated</u>	<u>Understated</u>	<u>Amounts</u>
2018	Homeland Security Grant Distribution	Donations	Grant Funds	\$ 3,997
2018	Homeland Security Grant Distribution	EDIT	Grant Funds	3,926
2018	Cigarette Tax Distribution	General	Cum Cap Imp	2,995
2019	Motor Vehicle Highway Distribution	MVH	MVH - Restricted	52,273
2019	Local Road Street Distribution	MVH	Local Roads & Streets	1,596
2019	Financial Institution Tax Distribution	General	Cum Cap Development	21
2019	License Excise Distribution	General	Cum Cap Development	249
2019	Commercial Vehicle Excise Tax Distribution	General	Cum Cap Development	22
2020	Motor Vehicle Highway Distribution	MVH	MVH - Restricted	46,102
2020	Park and Recreation Grant Distribution	General	Park and Recreation	3,200
2020	Homeland Security Grant Distribution	Donations	Grant Funds	3,713
2021	Motor Vehicle Highway Distribution	MVH	MVH - Restricted	50,951
2021	License Excise Distribution	General	Cum Cap Development	221

*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.

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

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. . . ."

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns of Indiana, Chapter 1)

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

*Condition and Context*

Motor Vehicle Highway (MVH) and MVH Restricted funds were maintained in the same fund on the City's ledger rather than being maintained in separate funds. The City did not establish the MVH Restricted sub-fund with the appropriate fund number, and the MVH and MVH Restricted funds were not shown separately on the Annual Financial Report.

*Criteria*

On the chart of accounts, the MVH Fund and MVH Restricted sub-fund shall be shown as follows:

. . .

Cities and Towns

Fund 201	MVH
Fund 203	MVH Restricted

**Together, MVH and MVH Restricted shall constitute the total MVH Fund.** MVH and MVH Restricted will be shown separately on the Annual Financial Report . . .

(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."

CLERK-TREASURER  
CITY OF OAKLAND CITY  
EXIT CONFERENCE

The contents of this report were discussed on November 1, 2022, with Brenda G. Willis, Clerk-Treasurer; James Deffendall, Mayor; and Michael McGregor, Common Council member.