

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF SULLIVAN

SULLIVAN COUNTY, INDIANA

January 1, 2020 to December 31, 2021



FILED
12/09/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Donna Sue Pitts	01-01-20 to 12-31-22
Mayor	Clint D. Lamb	01-01-20 to 12-31-22
President of the Board of Public Works	Clint D. Lamb	01-01-20 to 12-31-22
President Pro Tempore of the Common Council	Tom McClanahan Gene Bonham Tom McClanahan	01-01-20 to 12-31-20 01-01-21 to 12-31-21 01-01-22 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF SULLIVAN, SULLIVAN COUNTY, INDIANA

This report is supplemental to our audit report of the City of Sullivan (City), for the period from January 1, 2020 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

November 16, 2022

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CLERK-TREASURER
CITY OF SULLIVAN

CLERK-TREASURER
CITY OF SULLIVAN
AUDIT RESULTS AND COMMENTS

CAPITAL ASSETS

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

Condition and Context

The City had a detailed listing of capital assets; however, sufficient detail was not presented during the audit to support the listing. The City had not properly maintained a complete inventory of capital assets owned, nor has a physical inventory been performed.

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 Town, Chapter 1)

INTERNAL CONTROLS OVER SERVICE ORGANIZATION FOR AMBULANCE SERVICE

The same comment also appeared in prior Report B56247.

Condition and Context

The City did not have a proper system of internal controls in place to prevent, or detect and correct, errors related to receipts of their ambulance service. The City Fire Department uses a service organization to bill and collect patient payments for the ambulance service on behalf of the City. The service organization remits daily, patient payments to the City's bank account; however, collections are posted by the Clerk-Treasurer monthly after receiving the bank statement. Additionally, there is no internal verification of the cash receipts by the City Fire Department, such as reconciling ambulance collections in the City's bank account to the service organization's cash receipt reports.

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:

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

"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. . . ."

ORDINANCES AND RESOLUTIONS

Condition and Context

The City had an ordinance that established the wastewater utility rates; however, the City's buildings were not being charged for wastewater. One City building was being charged for wastewater, but the bill was adjusted to zero every month.

Criteria

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)

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Reports B51235 and B56427.

Condition and Context

The financial statement presented for audit included one fund with an overdrawn cash balance at December 31, 2020 and 2021. The deficit balance in the Sewer Operating fund was \$690,841 and \$574,112, respectively.

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)



Mayor Clint D. Lamb
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Clerk/Treasurer Sue Pitts
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November 23, 2022

We appreciate the Indiana State Board of Accounts findings. The City of Sullivan has been taking measures to correct the findings at hand. These measures include sufficient reporting, checks and balances and maintenance to address all areas of this audit.

It is very well known throughout the City of Sullivan that the City has an aging sewer system that has a large fiscal impact in terms of updates. Over the last several years, the City's stormwater system has undergone many upgrades with substantial investments. Furthermore, sewer bills weren't raised in 14 years to keep costs low for residents and business owners. However, due to inflation and a nearly century-old infrastructure, the City has had significant expenditures in system upgrades. The administration will continue to rectify the situation.

The City of Sullivan Clerk-Treasurer's Office is aware and understanding of the ambulance services provided within the City and has taken steps to rectify the situation and ensure payments, billing, receipts, and processing are aligned.

The administration will continue to rectify these situations. We once again appreciate the Indiana State Board of Accounts for their work.

Sincerely,

Sue Pitts
Clerk-Treasurer

CLERK-TREASURER
CITY OF SULLIVAN
EXIT CONFERENCE

The contents of this report were discussed on November 16, 2022, with Donna Sue Pitts, Clerk-Treasurer; Clint D. Lamb, Mayor and President of the Board of Public Works; Tom McClanahan, President Pro Tempore of the Common Council; and Patti Mayfield, Common Council member.