

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, 2021 to December 31, 2021



FILED
12/29/2022

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SCHEDULE OF OFFICIALS

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

December 14, 2022

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CITY CONTROLLER
CITY OF TERRE HAUTE

CITY CONTROLLER
CITY OF TERRE HAUTE
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

Investment Fund Statement

The City failed to complete and upload the Investment Fund Statement, as required, into the Indiana Gateway for Government Units (Gateway) financial reporting system.

Schedule of Leases and Debt

The Schedule of Leases and Debt uploaded by the City into Gateway was materially misstated. The ending principal balance was understated by \$50,249,000.

Schedule of Capital Assets

The Schedule of Capital Assets uploaded by the City into Gateway was unable to be substantiated due to the City not maintaining a detailed capital asset listing.

Criteria

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](#)."

CAPITAL ASSETS

The same comment also appeared in prior Reports B45624, B48509, B50773, B54219, B55965, and B59472.

Condition and Context

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

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

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)

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Reports B44483, B45624, B48509, B50772, B50773, B54219, B55965, and B59472.

Condition and Context

The financial statement presented for audit included the following funds with overdrawn cash balances as December 31, 2021:

Fund	Amount Overdrawn
Hulman Links Non-Reverting	\$ 5,071,428
Group Health - Non Reverting	1,635,036
Rea Park Non-Reverting	1,569,889
Sanitary District Bond	1,304,183
Deming Center Bond & Interest	34,319

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)

CITY CONTROLLER
CITY OF TERRE HAUTE
EXIT CONFERENCE

The contents of this report were discussed on December 14, 2022, with Leslie A. Ellis, CPA, City Controller; Duke A. Bennett, Mayor; Cheryl Loudermilk, President of the Common Council; and Jessica Thome, Chief Deputy City Controller.

COMMON COUNCIL
CITY OF TERRE HAUTE

COMMON COUNCIL
CITY OF TERRE HAUTE
AUDIT RESULTS AND COMMENTS

CAPITAL ASSETS

The same comment also appeared in the prior Report B59472.

Condition and Context

The City did not have an approved capital asset policy that detailed the thresholds at which an item was 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

The same comment also appeared in the prior Report B59472.

Condition and Context

New employees who collected money, wrote receipts, posted transactions, and performed reconciliements in all departments of the City, except for the City Controller's office, 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 December 14, 2022, with Leslie A. Ellis, CPA, City Controller; Duke A. Bennett, Mayor; Cheryl Loudermilk, President of the Common Council; and Jessica Thome, Chief Deputy City Controller.