

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF HUNTINGBURG

DUBOIS COUNTY, INDIANA

January 1, 2021 to December 31, 2022



FILED

06/09/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Thomas A. Dippel	01-01-21 to 12-31-23
Mayor	Steven J. Schwinghamer	01-01-21 to 12-31-23
President of the Board of Public Works	Steven J. Schwinghamer	01-01-21 to 12-31-23
President Pro Tempore of the Common Council	Gery Meyerhotz Tim W. Wehr	01-01-21 to 05-25-21 05-26-21 to 12-31-23
Superintendent of Water Utility	Jerry Austin	01-01-21 to 12-31-23
Superintendent of Wastewater Utility	Brad Coomer	01-01-21 to 12-31-23
Superintendent of Energy Utilities	John Reutepohler	01-01-21 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF HUNTINGBURG, DUBOIS COUNTY, INDIANA

This report is supplemental to our audit report of the City of Huntingburg (City), for the period from January 1, 2021 to December 31, 2022. 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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, was not verified for accuracy.

A handwritten signature in blue ink that reads "Beth Kelley". The signature is written in a cursive, flowing style.

Beth Kelley, CPA, CFE
Deputy State Examiner

May 17, 2023

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CLERK-TREASURER
CITY OF HUNTINGBURG

CLERK-TREASURER
CITY OF HUNTINGBURG
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

There were deficiencies in the internal control system of the City related to financial transactions and reporting. The City had not established an effective system of internal controls that separated incompatible activities related to receipts, disbursements, and financial close and reporting of the Self-Insurance fund.

Receipts and Disbursements

The City utilized a third-party administrator to administer their Self-Insurance fund. The administrator provided the City monthly reports with a detailed bank statement and reports showing the detailed expenses of the Self-Insurance fund. The City's accountant reviewed the bank statements and reports from the administrator for any abnormal transactions prior to recording the receipts and disbursements on the City's financial ledger. However, no audit evidence was provided to document this process occurred during the audit period.

Financial Close and Reporting

Internal controls over financial transactions and reporting were properly designed and implemented; however, the internal controls were not effective in detecting that the Self-Insurance fund's receipts and disbursements were overstated in the amount of \$309,000 and \$200,000 for the years 2021 and 2022, respectively.

Audit adjustments were proposed, accepted by the City, and made to the financial statement and the combining schedules presented as part of the Required Supplementary Information.

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 HUNTINGBURG
AUDIT RESULT AND COMMENT
(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. . . ."

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](#)."

CLERK-TREASURER
CITY OF HUNTINGBURG
EXIT CONFERENCE

The contents of this report were discussed on May 17, 2023, with Thomas A. Dippel, Clerk-Treasurer; Steven J. Schwingamer, Mayor; and Steve McPherron, Common Council member.