

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF GREENCASTLE

PUTNAM COUNTY, INDIANA

January 1, 2013 to December 31, 2013



**FILED**  
07/18/2014



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## SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Lynda R. Dunbar	01-01-12 to 12-31-15
Mayor	Susan V. Murray	01-01-12 to 12-31-15
President Pro Tempore of the Common Council	Adam Cohen	01-01-13 to 12-31-14
Water Utility Office Manager	Barbara J. Hathaway	01-01-13 to 12-31-14
Wastewater Utility Office Manager	Madonna A. Gose Melanie Welker	01-01-13 to 12-31-13 01-01-14 to 12-31-14
Trash Utility Office Manager	Lynda R. Dunbar	01-01-12 to 12-31-14
Superintendent of Water and Wastewater Utilities	Richard Hedge (Vacant) Robert Lovell	01-01-13 to 04-19-13 04-20-13 to 06-02-13 06-03-13 to 12-31-14



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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Telephone: (317) 232-2513  
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TO: THE OFFICIALS OF THE CITY OF GREENCASTLE, PUTNAM COUNTY, INDIANA

This report is supplemental to our audit report of the City of Greencastle (City), for the period from January 1, 2013 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the City, which provides our opinions on the City's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

The Federal Finding, identified in the above referenced audit report, is included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

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.

The Corrective Action Plan for the Federal Finding, incorporated within this report, was not verified for accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

May 28, 2014

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CLERK-TREASURER  
CITY OF GREENCASTLE

CLERK-TREASURER  
CITY OF GREENCASTLE  
FEDERAL FINDING

***FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted two deficiencies in the internal control system of the City related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. **Preparing Financial Statement:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the City's audited financial statement and then determining how those identified risks should be managed. The City has identified risks to the preparation of a reliable financial statement and has designed controls over the preparation of the financial statement, but the controls did not prevent or detect material misstatements.

During the audit of the financial statement, we noted that the receipts and disbursements of three funds were netted. These funds were Water Meter Deposit, Sewage Customer Deposit, and Payroll. The City's computer system does not include the receipts and disbursements of these funds on the summary report that is used by the City when preparing the financial statement. This caused both receipts and disbursements to be understated by \$2,284,748. Audit adjustments were proposed, accepted by the City, and made to the financial statement presented in this report. These adjustments resulted in a financial statement that is materially correct.

2. **Preparing the Schedule of Expenditures of Federal Awards:** The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted that the SEFA did not include every federal grant with expenditures. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)



CITY OF GREENCASTLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section.310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards: The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

# City of Greencastle

City Hall  
One North Locust Street, P.O. Box 607  
Greencastle, Indiana 46135  
765-653-3100



## CORRECTIVE ACTION PLAN

### **FINDING 2013-001 INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

Lynda R. Dunbar  
Contact Phone Number: 765-848-1510

#### **Description of Corrective Action Plan:**

**Item 1** - The City agrees with the facts as reported. Our financial reports generate this information however, not in the report used previously to prepare the annual financial report. We will contact INCODE, our software provider, to ask for this to be added, but we DO have the information available and will include in future reports.

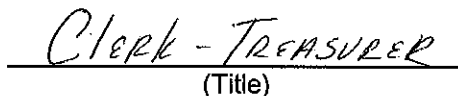
**Item 2** - The City agrees with the facts as reported. We have notified all departments that if any grants are received they must inform the Clerk-Treasurer's office. The Clerk-Treasurer's office will establish a new fund and will assign all account numbers and process all payments. All contracts and documents will be kept on file in the Clerk-Treasurer's office. Copies will be provided back to the departments receiving the grants. We will also attend any training on preparing the Schedules of Expenditures of Federal Awards.

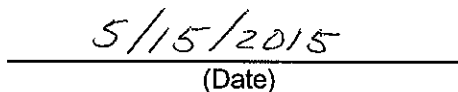
#### **Anticipated Completion Date:**

**Item 1** - INCODE will be contacted so the report can be updated by the end of 2014.

**Item 2** - New funds and accounts have been set up and department heads have been notified to give all grant information to Clerk-Treasurer. Clerk Treasurer will assign all fund and account numbers. Clerk-Treasurer was also shown by SBOA on where to find additional information to complete the SEFA. Clerk-Treasurer will attend any training related to the completion of the SEFA. SEFA Schedule will be reviewed by Deputy Clerk and Department Head.

  
(Signature)

  
(Title)

  
(Date)

CLERK-TREASURER  
CITY OF GREENCASTLE  
AUDIT RESULTS AND COMMENTS

**APPROPRIATIONS**

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General Obligation Bonds	2013	\$ 2,449
Police Pension	2013	3,823

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

**BANK ACCOUNT RECONCILIATIONS**

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations contained several amounts for errors and/or adjustments from the years 2011 and 2012, which are still uncorrected as of December 31, 2013.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

**UTILITY DEPOSIT REFUNDS**

Claims were not prepared for utility deposit refunds (water, wastewater, and trash utilities). This error resulted in \$6,996 of expenditures which were not supported by a proper claim. The utility deposit refunds were not approved by the governing body or the fiscal officer.

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."

CLERK-TREASURER  
CITY OF GREENCASTLE  
EXIT CONFERENCE

The contents of this report were discussed on May 28, 2014, with Susan V. Murray, Mayor; Lynda R. Dunbar, Clerk-Treasurer; and Phyllis Rokicki, City Council member.