

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF GOSHEN

ELKHART COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
03/13/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Tina M. Bontrager	01-01-12 to 12-31-15
Mayor	Allan J. Kauffman	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Allan J. Kauffman	01-01-12 to 12-31-15
President Pro Tempore of the Common Council	Jim McKee	01-01-13 to 12-31-14
Superintendent of Water Utility	Kent A. Holdren	01-01-13 to 12-31-14
Superintendent of Wastewater Utility	James D. Kerezman	01-01-13 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF GOSHEN, ELKHART COUNTY, INDIANA

This report is supplemental to our audit report of the City of Goshen (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/.

The Federal Findings, identified in the above referenced audit report, are 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.

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

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

October 27, 2014

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CLERK-TREASURER
CITY OF GOSHEN

CLERK-TREASURER
CITY OF GOSHEN
FEDERAL FINDINGS

***FINDING 2013-001 - INTERNAL CONTROLS OVER 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 the following errors: the program titles for five programs were incorrect; expenditures totaling \$459,204 for three programs were not reported; two grants reported did not identify the federal agency; one grant did not identify the CFDA number; and lastly, a state grant of \$275,000 was incorrectly included on the SEFA. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report.

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)

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.

CLERK-TREASURER
CITY OF GOSHEN
FEDERAL FINDINGS
(Continued)

- (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 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."

FINDING 2013-002 - INTERNAL CONTROLS OVER CASH RECONCILING AND RECEIPTING

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

Control activities should be selected and developed at various levels of the City to reduce risks of error and/or fraud of the financial statement. The City has not separated incompatible activities related to the preparation of the bank reconciliation and receipts. Monthly bank reconciliations are being prepared by three employees; however, there is no evidence to indicate that the bank reconciliations are being reviewed by anyone. The same individual who is responsible for recording receipts is also responsible for the corresponding bank deposit. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

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)

FINDING 2013-003 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted the following deficiency in the internal control system of the City related to financial transactions and reporting. We believe the deficiency to constitute a significant deficiency:

CLERK-TREASURER
CITY OF GOSHEN
FEDERAL FINDINGS
(Continued)

Preparing Financial Statement: Effective internal controls 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 not identified risks to the preparation of a reliable financial statement and, as a result, has failed to design effective controls over the preparation of the financial statement to prevent, or detect and correct, material misstatements, including notes to the financial statement.

The financial statement of the City was prepared from information entered by the City into the Gateway Annual Financial Report. During the audit of the financial statement, we noted that the City did not include all of its financial transactions, or that some of the transactions were incorrectly reported. The receipts and disbursements in the original financial statement for the City Court were understated by \$485,217, and \$486,497, respectively. Therefore, the financial statement presented for audit was not reflective of the financial activity of the City. Subsequent audit adjustments were proposed, accepted by the City, and made to the financial statement presented in this report in order to more accurately reflect the financial activity of the City.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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 Indiana Code 5-14-3.8-7."

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)



Tina M. Bontrager, City Clerk-Treasurer
CITY OF GOSHEN

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CORRECTIVE ACTION PLAN

FINDING 2013-001

Contact Person Responsible for Corrective Action: Tina M. Bontrager
Contact Phone Number: 574-533-8625

Description of Corrective Action Plan:

The City acknowledges this finding and wishes to eliminate future errors with such actions as the Clerk-Treasurer requesting additional reporting from the departments. The Clerk-Treasurer will continue to work close with the departments of the City that receive and spend grant dollars to ensure proper reporting of the dollar amounts received and expensed.

FINDING 2013-002

Contact Person Responsible for Corrective Action: Tina M. Bontrager
Contact Phone Number: 574-533-8625

Description of Corrective Action Plan:

The main City bank reconciliation performed by the Clerk-Treasurer's office 1st Deputy will be reviewed by the Clerk-Treasurer, the Utility bank reconciliations performed by the Utility office 1st Deputy will be reviewed by the C/T office 1st Deputy, all other City bank reconciliations will be reviewed by the Clerk-Treasurer. All of these reviews will be referenced by initialing the statement and will be done before the monthly disbursements and revenues posted are updated and closed out.

It is difficult to have segregation of duties in every aspect of the office when we are attempting to do more with less such as having one person be responsible for the receipting duties of the office. In the opinion of the Clerk-Treasurer with the current employees, the City has safeguards in place to avoid any material misstatements or irregularities to remain undetected as each department that brings funds into the office to be deposited receives a written receipt and monthly (if not more often) reports to review so any discrepancies would be brought to our attention in a timely manner. The deposit is also reviewed the next day by a second employee. The City will attempt to have someone other than the person that prepared the deposit take the funds to the bank to be deposited and/or have the deposit reviewed by a second employee daily before the funds are taken to the bank.



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FINDING 2013-003

Contact Person Responsible for Corrective Action: Tina M. Bontrager
Contact Phone Number: 574-533-8625

Description of Corrective Action Plan:

The City is currently making a transition to City Court and setting them up on the Incode financial software to improve the recordkeeping of the office. We have determined there is an on-going discrepancy and we are working with Dan Hedden from Umbaugh to computerize the records and place the discrepancy amount in a separate trust bank account to hold for a period of 10 years if necessary. The City fully understands the importance of accurate reporting and we are working to correct this deficiency.

Anticipated Completion Date: Immediately

Tina M. Bontrager

Clerk-Treasurer

10-27-14

CLERK-TREASURER
CITY OF GOSHEN
EXIT CONFERENCE

The contents of this report were discussed on October 27, 2014, with Tina M. Bontrager, Clerk-Treasurer; Allan J. Kauffman, Mayor; and Jim McKee, President Pro Tempore of the Common Council.

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FIRE DEPARTMENT
CITY OF GOSHEN

FIRE DEPARTMENT
CITY OF GOSHEN
AUDIT RESULT AND COMMENT

AMBULANCE SERVICE FEES

Collections for ambulance service fees were collected at the Fire Department and subsequently remitted to the Clerk-Treasurer's Office with a cash transmittal report, where the fees were ultimately deposited into the City's bank account. Collections for 13 of 26 cash transmittal reports were not remitted to the Clerk-Treasurer's Office on a timely manner. Collections were remitted to the Clerk-Treasurer's Office anywhere from 3 to 19 days after the date they were received.

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

FIRE DEPARTMENT
CITY OF GOSHEN
EXIT CONFERENCE

The contents of this report were discussed on October 27, 2014, with Dan Sink, Chief, and Kimberly Whitehead, Administrative Assistant.

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CITY COURT
CITY OF GOSHEN

CITY COURT
CITY OF GOSHEN
AUDIT RESULT AND COMMENT

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping that were cited in prior Report B42711, were again present during our period of audit.

Depository reconciliations of the City Court Cash Book balances to the City Court's bank account balances were incomplete. At December 31, 2013, the reconciled bank balance exceeds the amount on the Cash Book by \$224.

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."

Also, the City Court detailed trust register, City Court detailed cash bonds register, and list of restitution amounts did not reconcile with the respective Cash Book balances at December 31, 2013.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY COURT
CITY OF GOSHEN
EXIT CONFERENCE

The contents of this report were discussed on October 27, 2014, with Honorable Bodie J. Stegelmann, Judge, and Vicki Myers, Clerk.