

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF CRAWFORDSVILLE

MONTGOMERY COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED

04/16/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Terri J. Gadd	01-01-12 to 12-31-15
Mayor	Todd D. Barton	01-01-12 to 12-31-15
President Pro Tempore of the Common Council	Andrew P. Biddle Dan Guard	01-01-13 to 12-31-14 01-01-15 to 12-31-15
Superintendent of Wastewater Utility	Larry Kadinger	01-01-13 to 12-31-15
Superintendent of Electric Utility	Phillip R. Goode	01-01-13 to 12-31-15
Controller of Electric Utility	Ronald L. Gable	01-01-13 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDIANAPOLIS, INDIANA 46204-2769

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TO: THE OFFICIALS OF THE CITY OF CRAWFORDSVILLE, MONTGOMERY COUNTY, INDIANA

This report is supplemental to our audit report of the City of Crawfordsville (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 and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

February 20, 2015

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CLERK-TREASURER
CITY OF CRAWFORDSVILLE

CLERK-TREASURER
CITY OF CRAWFORDSVILLE
FEDERAL FINDINGS

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

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

1. **Lack of Segregation of Duties:** Control activities should be selected and developed at various levels of the City to reduce risks to the achievement of financial reporting objectives. The City has not separated incompatible activities related to payroll disbursements. The Payroll Clerk processes payroll without oversight, review, or approval by another individual prior to checks being issued. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.
2. **Preparing Financial Statement:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the City's 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 City had controls in place but they were not effective in ensuring that the financial statement was materially correct.
3. **Monitoring of Controls:** Effective internal control over financial reporting requires the Common Council to monitor and assess the quality of the City's system of internal control. The Common Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the City at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the City has no process to identify or communicate corrective actions to improve controls.

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 2013-002 - COMPLIANCE OVER FINANCIAL TRANSACTIONS AND REPORTING

During the audit of the financial statement, we noted that two funds of the Crawfordsville Electric, Light, and Power Utility reported beginning balances, receipts, and disbursements that were not materially correct. Audit adjustments were proposed, accepted by the Officials, and made to the financial statement presented in this report. The amounts presented for audit, the audit adjustments, and the amounts reported in the audited financial statement are detailed below:

CLERK-TREASURER
CITY OF CRAWFORDSVILLE
FEDERAL FINDINGS
(Continued)

CEL&P General MM				
	Balance 01-01-13	Receipts	Disbursements	Balance 12-31-13
As presented for audit	\$ -	\$ 3,825,498	\$ -	\$ 3,825,498
Audit Adjustments	<u>1,477,536</u>	<u>34,300,207</u>	<u>35,777,743</u>	<u>-</u>
As shown on Financial Statement	<u>\$ 1,477,536</u>	<u>\$ 38,125,705</u>	<u>\$ 35,777,743</u>	<u>\$ 3,825,498</u>

CEL&P Deprec MM				
	Beg Balance	Receipts	Disbursements	Ending Balance
As presented for audit	\$ -	\$ 1,012,588	\$ -	\$ 1,012,588
Audit Adjustments	<u>905,030</u>	<u>(855,711)</u>	<u>49,319</u>	<u>-</u>
As shown on Financial Statement	<u>\$ 905,030</u>	<u>\$ 156,877</u>	<u>\$ 49,319</u>	<u>\$ 1,012,588</u>

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 IC 5-14-3.8-7."

FINDING 2013-003 - INTERNAL CONTROLS AND COMPLIANCE OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The City did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Clerk-Treasurer prepares the SEFA without oversight, review, or approval by another individual. 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 controls in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors:

1. Two federal awards were omitted: the Community Development Block Grant (CFDA 14.228) and Highway Planning and Construction (CFDA 20.205).
2. Expenditures of the Airport Improvement Programs were overstated.
3. Code of Federal Domestic Assistance (CFDA) numbers, pass-through entities, and program names were incorrectly identified.
4. All grants were reported as passed through to subrecipients in error.

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.

CLERK-TREASURER
CITY OF CRAWFORDSVILLE
FEDERAL FINDINGS
(Continued)

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 in part:

"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. . . .
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program."

CLERK-TREASURER
CITY OF CRAWFORDSVILLE
FEDERAL FINDINGS
(Continued)

**FINDING 2013-004 - INTERNAL CONTROLS OVER STAFFING FOR
ADEQUATE FIRE AND EMERGENCY RESPONSE (SAFER)**

Federal Agency: Department of Homeland Security
Federal Program: Staffing for Adequate Fire and Emergency Response (SAFER)
CFDA Number: 97.083
Federal Award Number and Year: EMW-2012-FH-00794

Management of the City has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect on the SAFER program. This includes the following compliance requirements: Cash Management, Reporting and the Special Tests and Provisions - Maintenance of Firefighting Staff. The Clerk-Treasurer prepared the Requests for Funds, Federal Financial Reports, and the Hiring Performance Reports and related documentation without oversight, review, or approval by any other person. Beginning in August of 2013, new controls were implemented for cash management and the Requests for Funds were then reviewed by an individual other than the preparer. However, the Federal Financial Reports and Hiring Performance Reports, which established compliance with maintenance of firefighting staff requirements, were still submitted without review by any other person.

The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Non-compliance with the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the City.

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect on the program.

CITY OF
CRAWFORDSVILLE

P.O. Box 329

Crawfordsville, IN 47933
clerktreasurer@accelplus.net

Terri J. Gadd, IAMC
Clerk Treasurer

City Building
(765) 364-5150

CORRECTIVE ACTION PLAN

Contact Person Responsible for Corrective Action:

Terri Gadd, Clerk Treasurer
Todd Barton, Mayor

Contact Phone Number: Clerk Treasurer 1 765 364-5150, Mayor 1 765 364-5160

Description of Corrective Action Plan:

FINDING 2013-001

Corrective Action:

The payroll clerk receives approved payroll vouchers from each department. During processing of the payroll the payroll clerk balances payroll vouchers to a payroll system generated report titled "FICA Medicare Report".

For purposes of establishing another level of control the balancing of the vouchers will be processed by another employee in the Clerk Treasurers office – the employee will match each payroll voucher to the payroll system report "FICA Medicare Report", dating and initializing each report as reviewed, the corrective action started immediately (July 2014).

Corrective action:

A city Council members has been assigned a liaison with the Clerk Treasurers office, starting December 2013, the Clerk Treasurer met with Council member Reidy to discuss and observe the process of receipting funds.

Councilman Reidy continues to meet with the Clerk Treasurer to observe and discuss issues and processes within the department, each meeting is documented, signed and on file in the Clerk Treasurers office.

FINDING 2013-002,

Corrective Action:

Starting 2014 all receipts and disbursements received from Crawfordsville Electric Light and Power are entered into the city financial system, and reconciled each month, with the bookkeeper from the Clerk Treasurer's office to the bookkeeper with Crawfordsville Electric Light and Power.

FINDING 2013-003,

Corrective Action:

The Clerk Treasurer completes a form for each grant, including the form as part of the grant documentation. Each time funds are reimbursed or received by the city the Clerk Treasurer provides to the bookkeeper documentation of the request and notice when received.

The city started the process of internal controls of Schedule of Expenditures for Federal Awards in the later part of 2013. The control included completing a SBoA recommend form for each outstanding grant. Any grants identified as not corrected were an oversight, and have been corrected.

CITY OF CRAWFORDSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section III – Federal Award Findings and Questioned Costs

FINDING 2013-004,

Corrective Action:

The City of Crawfordsville is the recipient of a federal grant for the hiring, training and staffing of 8 fire fighters, grant ending December 2014. The process of requesting reimbursement from the Department of Homeland Security is outlined below, **item #6 and 7 are steps added in August of 2013, item #11 is a new step add to the process, August 2014.**

1. Fire Department Administrative Assistant prepares a bi-weekly payroll claim, using department time sheets; the Fire Department chief authorizes the prepared document.
2. The payroll claim is submitted to the City of Crawfordsville Clerk Treasurers office payroll clerk for processing with all bi-weekly department payrolls.
3. After each payroll the payroll clerk prepares a summary sheet of Public Employees Retirement expenses,
4. At the end of each month the payroll clerk reconciles monthly health insurance and life insurance invoices, accounting for withholdings from the "Safer" grant employees. After the reconciliation is completed a spreadsheet is prepared. The payroll clerk submits a copy of the spreadsheet to the clerk treasurer.
5. The Clerk Treasurer reviews reports from the city of Crawfordsville budget and payroll systems to verify and prepare a summary spreadsheet to be used as the entry documentation for reimbursement of expenses from the Department of Homeland Security.
- 6. After all documentation is collected , reviewed and balanced, the Clerk Treasurer ask the Fire Department Administrative assistant to verify, and initial payroll check register(s) and payroll claim voucher(s) "Safer" grant employees.**
- 7. The Clerk Treasurer meets with the Assistant Fire Department Chief or the Fire Department Chief to review and discus, appropriation report(s) and supporting documentation regarding the amount for reimbursement.**
8. Using the supporting documentation the Clerk Treasurer request from the Department of Homeland Security website the amount for reimbursement, prints two copies of the request – one to be presented to the bookkeeper and one for the grant file.
9. Shortly after the request for reimbursement is made the Clerk Treasurer receives an email notification from the Department of Homeland Security indicating request has been received and a time frame when the payment with be electronically deposited into the designated account for the City of Crawfordsville. The Clerk Treasurer prints the notice and informs the bookkeeper.
10. The bookkeeper monitors the designated account for the requested amount, receipts the electronic deposit into the proper fund and submits to the Clerk Treasurer for filing a copy of the receipt.
- 11. The Clerk Treasurer will review with the Fire Chief or his designee the data supporting quarterly and semi-annually reporting**



FEMA

July 25, 2014

Terri J. Gadd, IAMC
Clerk-Treasurer
City of Crawfordsville
PO Box 329
Crawfordsville, IN 47933

Subject: Management Decision Letter -- Single Audit Report for the year ending December 31, 2012

Re: 2012 Audit Year - EIN: 356000994
FEMA CFDA No.: 97.083
Number of Open Findings: N/A
Number of Closed Findings: 1 (Deficiency 2012-3)
Amount of Questioned and/or Disallowed Costs: N/A
Status of Audit Record: Closed

Dear Terri J. Gadd, IAMC:

The Grant Programs Directorate reviewed the subject report that includes Deficiency 2012-3 and evaluated the corrective actions the City of Crawfordsville completed. The Audit Report and Deficiency 2012-3 are considered "closed" without the need for additional action. The basis for this management decision is attached.

Questions may also be directed to FEMA-GPD-A-133Audits@fema.dhs.gov.
or Lorna M. McAllister at 202-786-9956.

Sincerely,

A handwritten signature in black ink, appearing to read "Stacey Street", written over a horizontal line.

Stacey Street, Grant Operations Division Director
Grant Programs Directorate
Federal Emergency Management Agency

Attachment

www.fema.gov

City of Crawfordsville		2012 Single Audit
Audit Deficiency Number:	2012-3	
CFDA Number:	97.083	
Sustained:	Yes	
Amount of Questioned Costs:	N/A	
Amount Disallowed:	N/A	
Status of Audit Deficiency:	Closed	The required actions are complete and documented as such. No further action is necessary.
Recommendation:	Establish effective internal controls over cash management and reporting including the segregation of duties associated with the process of requesting reimbursement from the Department of Homeland Security.	
FEMA Management Decision:	This audit deficiency is considered "closed." The City of Crawfordsville established and implemented two additional internal controls in their reimbursement process that now require a separate review and signature approval by the designated Fire Department official after the Clerk of Treasurer's formal written certification; and upon completion, the Clerk of Treasurer presents that signed and approved package to either the Assistant Fire Department Chief or Fire Chief during a formal meeting. The related appropriations report and supporting documentation regarding the amount for reimbursement contained in the package are also reviewed and discussed during that allotted time. A copy of the reimbursement process is on file along with evidence that requests for reimbursement are approved and signed at multiple levels and comply with the grant agreement and internal control requirements.	
Management Action:	None required.	
Appeal Information:	The decision or parts therein may be appealed. A written appeal will be accepted at FEMA-GPD-A-133Audits@fema.dhs.gov, within 10 business days from the date of this letter. The appeal must include a description of the disputed part(s), an alternative course of action(s) along with an anticipated completion date, the name of the management official responsible for implementing the alternative action(s), and any relevant supportive documentation.	

Anticipated Completion Date: August 27, 2014

Terri Gadd
(Signature)

Clark Treasurer
(Title)

August 27, 2014
(Date)

Yadd G. Gadd
(Signature)

MAYOR
(Title)

8-27-2014
(Date)

CLERK-TREASURER
CITY OF CRAWFORDSVILLE
EXIT CONFERENCE

The contents of this report were discussed on August 27, 2014, with Terri J. Gadd, Clerk-Treasurer.

ELECTRIC UTILITY
CITY OF CRAWFORDSVILLE

ELECTRIC UTILITY
CITY OF CRAWFORDSVILLE
AUDIT RESULTS AND COMMENTS

DISTRIBUTION OF GROSS REVENUES TO THE VARIOUS FUNDS

As stated in the prior Report B43060, the Electric Utility has a resolution (No. 18-2004, Communication Lease Revenue Certificates of Participation Series 2004) concerning debt financing for Accelplus, a division of Crawfordsville Electric Light and Power (CEL&P). However, we noted that the Electric Utility did not comply with its existing resolution because net revenues from the operations of Accelplus were not sufficient to make all payments required by the debt financing. Accelplus operates a telecommunications company providing fiber-optic cable television service and internet communication services to customers within the service territory of CEL&P. The trust agreement required transfers from Accelplus to U.S. Bank, custodian of the Accelplus funds. Transfers made to U.S. Bank in 2013 were \$90,000 compared to the required transfer amount of \$929,145 resulting in a deficiency of \$839,145.

Due to the underfunded debt service requirements, the Accelplus defaulted on principal and interest payments as follows:

<u>Year Due</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ -	\$ 532,235
2011	300,000	301,910
2012	425,000	832,982
2013	<u>500,000</u>	<u>839,145</u>
Totals	<u>\$ 1,225,000</u>	<u>\$ 2,506,272</u>

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS

Internal controls over the calculation of certain customer bills were insufficient. An incorrect tracking factor was used resulting in an overcharge on the bills of certain customers over a fourteen month period. The overcharge was discovered and corrected by utility personnel and a plan has already been implemented to credit the affected accounts. Additional control activities have been implemented to prevent this from recurring.

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. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ELECTRIC UTILITY
CITY OF CRAWFORDSVILLE
EXIT CONFERENCE

The contents of this report were discussed on February 20, 2015, with Ronald L. Gable, Controller of Electric Utility; Phillip R. Goode, Superintendent of Electric Utility; Don Swearingen, Utility Service Board President; Terri J. Gadd, Clerk-Treasurer; and Todd D. Barton, Mayor.

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BOARD OF PUBLIC WORKS AND SAFETY
CITY OF CRAWFORDSVILLE

BOARD OF PUBLIC WORKS AND SAFETY
CITY OF CRAWFORDSVILLE
FEDERAL FINDING

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

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

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CITY OF
CRAWFORDSVILLE

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CORRECTIVE ACTION PLAN

Contact Person Responsible for Corrective Action:

Terri Gadd, Clerk Treasurer
Todd Barton, Mayor

Contact Phone Number: Clerk Treasurer 1 765 364-5150, Mayor 1 765 364-5160

Description of Corrective Action Plan:

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Councilman Reidy continues to meet with the Clerk Treasurer to observe and discuss issues and processes within the department, each meeting is documented, signed and on file in the Clerk Treasurers office.

BOARD OF PUBLIC WORKS AND SAFETY
CITY OF CRAWFORDSVILLE
EXIT CONFERENCE

The contents of this report were discussed on August 27, 2014, with Mayor Todd D. Barton, President of the Board of Public Works and Safety.