

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF WESTFIELD

HAMILTON COUNTY, INDIANA

January 1, 2013 to December 31, 2013



**FILED**  
06/26/2015



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cindy Gossard	01-01-12 to 12-31-15
Mayor	Andrew Cook	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Andrew Cook	01-01-12 to 12-31-15
President Pro Tempore of the Common Council	Jim Ake Chuck Lehman	01-01-13 to 12-31-14 01-01-15 to 12-31-15
Director of Public Works	Jason T. Burtron Kenneth Alexander Jeremy Lollar	10-27-12 to 02-24-13 02-25-13 to 01-31-15 02-01-15 to 12-31-15



# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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TO: THE OFFICIALS OF THE CITY OF WESTFIELD, HAMILTON COUNTY, INDIANA

This report is supplemental to our audit report of the City of Westfield (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 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 Findings, identified in the above referenced audit report, are included in this report.

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

April 14, 2015

CLERK-TREASURER  
CITY OF WESTFIELD  
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). Errors were made on the SEFA presented for audit. 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, misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: A program was not included on the SEFA. The grantor agency was not presented for two of the grants listed on the SEFA. A CFDA number was not listed on two of the grants 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.
- (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.

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(Continued)

- (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 - REPORTING**

Federal Agency: Department of Transportation

Federal Program: Highway Planning and Construction

CFDA Number: 20.205

Federal Award Number and Year (or Other Identifying Number): DES 1173100

Pass-Through Entity: Indiana Department of Transportation

The City did not adequately identify the application of funds for federally sponsored activities in their financial records. Grant expenditures were attributed to the expense category "Services Contractual, Road and Street." This category included both federally funded and non-federally funded activities, and the descriptions of the activities were not always accurate.

The cause of these issues is a lack of oversight over the recording of the financial results of the grant projects.

49 CFR 18.20 states in part:

"(a) A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to—

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

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(Continued)

- (2) Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

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."

Failure to comply with these requirements could cause the grant to be suspended or terminated or cause the City to be ineligible to receive future federal awards.

We recommended that the City implement oversight over the financial reporting of grant activities, including a system of internal control.

***FINDING 2013-003 - INTERNAL CONTROL OVER ALLOWABLE  
ACTIVITIES, ALLOWABLE COSTS, AND REPORTING***

Federal Agency: Department of Transportation

Federal Program: Highway Planning and Construction

CFDA Number: 20.205

Federal Award Number and Year (or Other Identifying Number): DES 1173100

Pass-Through Entity: Indiana Department of Transportation

Management of the City has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Allowable Activities, Allowable Costs, and Reporting.

We could not find evidence that grant activities, costs, and reports were subjected to a review process.

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 compliance requirement of a federal program will be prevented, or 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.



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(Continued)

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. Noncompliance of the grant agreement or the compliance requirements 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 compliance requirements listed above.

***FINDING 2013-004 - REPORTING - ASSISTANCE TO FIREFIGHTERS GRANT***

Federal Agency: Department of Homeland Security  
Federal Program: Assistance to Firefighters Grant  
CFDA Number: 97.044  
Federal Award Number and Year (or Other Identifying Number): FY2013  
Pass-Through Entity: Direct Grant

We could find no evidence that four out of five required reports for the audit period had been submitted.

As part of the grant agreement between the City and the Department of Homeland Security, the City is required to submit a Federal Financial Report for reporting periods June 30 and December 31 of each grant year and provide quarterly performance reports in conjunction with the automated payment requests.

In addition, final financial and performance reports are due 90 days after the end of the grant performance period.

We could find no evidence that the June financial report, the Q2 performance report, or either final report had been submitted.

There are no questioned costs associated with this issue. The cause of the issue was a lack of oversight over the reporting of the SAFER grant.

The Grant Award states in part:

"Semiannual financial reports are due within 30 days of the end of every six month period for the life of the grant. At the end of the performance period, or upon completion of the grantee's final program narrative, the grantee must complete an on-line final financial status report that is required to close out the grant. Although the guidance state extensions will not be granted, if a grantee's performance period is extended beyond the initial period, a periodic performance report is due every six month increment until closeout."

We recommended that the City implement oversight over the Reporting requirements of the grant, including a system of internal control.

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FEDERAL FINDINGS  
(Continued)

***FINDING 2013-005 - INTERNAL CONTROL OVER LEVEL OF EFFORT, REPORTING, CASH MANAGEMENT, PERIOD OF AVAILABILITY - ASSISTANCE TO FIREFIGHTERS GRANT***

Federal Agency: Department of Homeland Security  
Federal Program: Assistance to Firefighters Grant  
CFDA Number: 97.044  
Federal Award Number and Year (or Other Identifying Number): FY 2013  
Pass-Through Entity: Direct Grant

Management of the City has not established an effective Internal Control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Level of Effort, Reporting, Cash Management, and Period of Availability.

We could not find evidence that level of effort and reporting activities were subjected to a review process.

Controls were established over Cash Management and Period of Availability. The Payroll Clerk sends a report to the Grant Administrator detailing actual salary and benefit costs for the SAFER firefighters for the period covered by the reimbursement request. However, the established control was not used effectively.

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 compliance requirement of a federal program will be prevented, or 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. Noncompliance of the grant agreement or the compliance requirements 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 compliance requirements listed above.



**Mayor**  
Andy Cook

**City Council**  
Jim Ake  
John Dippel  
Steven Hoover  
Robert L. Horkay  
Robert J. Smith  
Cindy L. Spoljaric  
Robert W. Stokes

**Clerk Treasurer**  
Cindy J. Gossard

**Clerk Treasurer's Office**

(317) 804-3020 office  
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Westfield, IN 46074  
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**CORRECTIVE ACTION PLAN**

**Finding 2013-001 INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Contact Person Responsible for Corrective Action: Cindy Gossard Clerk Treasurer  
Contact Phone Number: 317-557-9451

**Description of Corrective Action Plan:**

We will more diligently work to correctly identify all of the federal awards expended from the City for inclusion in the Schedule of Expenditures of Federal Awards.

**Anticipated Completion Date:**

This will be completed by June 1, 2015 in conjunction with documenting federal awards expended into the Gateway Annual Report we are required by statute to prepare.

**FINDING 2013-002 CASH MANAGEMENT**

Contact Person responsible for Corrective Action: Cindy Gossard Clerk Treasurer  
Contact Phone Number: 317-557-9451

**Description of Corrective Action Plan**

We will work to improve our system of internal control over cash management for the Highway Planning and Construction grants administered by the city and will attempt to better identify federal expenditures on our ledgers for this federal grant.

**Anticipated Completion Date:**

The process to better Highway Planning and Construction federal awards expended from the City is currently being implemented.

**FINDING 2013-003 INTERNAL CONTROLS OVER ALLOWABLE ACTIVITIES,  
ALLOWABLE COSTS, PROCUREMENT SUSPENSION AND DEBARMENT AND  
REPORTING**

Contact Person Responsible for Corrective Action: Cindy Gossard Clerk Treasurer  
Contact Phone Number: 317-557-9451

**Description of Corrective Action Plan:**

We will work to improve our system of internal control over allowable activities, allowable costs, procurement suspension and debarment and reporting for the Highway Planning and Construction grants administered by the City. We will attempt to establish a review process so that grant activities, costs and reports will be reviewed by a person knowledgeable of these requirements and also will review contractors retained by the City to work on federally funding projects so a determination can be made if they have been debarred from working on these projects.

**Anticipated Completion Date:**

The process to comply with the recommendations of this finding are currently being implemented.

**FINDIND 2013-004 REPORTING-ASSISTANCE TO FIREFIGHTERS GRANT (SAFER)**

Contact Person responsible for Corrective Action: Cindy Gossard Clerk Treasurer  
Contact Phone Number: 317-557-9451

**Description of Corrective Action Plan:**

We will work to improve the reporting process for SAFER Grants that the City will administer in the future by reviewing the grant agreements and determining the reporting requirements for this grant.

Anticipated Completion Date:

Will be completed in the future at the point and time that reports required by the grant agreement for the SAFER grant are to be filed or completed.

**FINDIND 2013-005 INTERNAL CONTROL OVER LEVEL OF EFFORT, REPORTING, CASH MANAGEMENT, PERIOD OF AVAILABILITY-ASSISTANCE TO FIREFIGHTERS GRANT (SAFER)**

Contact Person Responsible for Corrective Action: Cindy Gossard Clerk Treasurer  
Contact Phone Number: 317-557-9451

Description of Corrective Action Plan:

We will work to improve our internal controls over these compliance requirements for SAFER grants that we will administer in the future. We will do this by better documenting reviews of level of effort and reporting requirements by a person knowledgeable of these grant requirements as well as documenting the amounts of payroll costs submitted on reimbursement requests for this grant.

Anticipated Completion Date:

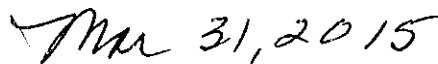
Will be completed in the future at the point in time that reports required by the grant agreement for the SAFER grant are to be filed or completed.



Signature



Title



Date

CLERK-TREASURER  
CITY OF WESTFIELD  
EXIT CONFERENCE

The contents of this report were discussed on April 14, 2015, with Cindy Gossard, Clerk-Treasurer; Jim Ake, Vice President of the City Council; and Todd Burtron, Chief of Staff.