

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF RICHMOND

WAYNE COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED

09/25/2015

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Controller:	
Federal Findings:	
Finding 2013-001 - Internal Controls Over Financial Transactions	6-7
Finding 2013-002 - Preparation of the Schedule of Expenditures of Federal Awards	7-8
Corrective Action Plan	9-10
Audit Results and Comments:	
Receipt Issuance.....	11
Bank Account Reconciliations.....	11
Official Response.....	12
Exit Conference	13
Public Works and Engineering:	
Federal Finding:	
Finding 2013-003 - Internal Controls Over Compliance Requirements That Have a Direct and Material Effect to the Airport Improvement Program	16
Corrective Action Plan	17
Exit Conference	18
Metropolitan Development:	
Federal Findings:	
Finding 2013-004 - Internal Controls Over Compliance Requirements That Have a Direct and Material Effect to the Economic Adjustment Assistance Programs.....	20-21
Finding 2013-005 - Economic Adjustment Assistance - Special Tests and Provisions	21-22
Corrective Action Plan	23-24
Exit Conference	25

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Mayor	Sarah L. Hutton	01-01-12 to 12-31-15
Controller	Tammy S. Glenn (Vacant) Paula Hill Sandra Spencer (Interim)	01-01-13 to 03-10-14 03-11-14 to 03-17-14 03-18-14 to 03-06-15 03-07-15 to 12-31-15
President of the Board of Public Works and Safety	Vicki Robinson	01-01-13 to 12-31-15
President of the Common Council	Larry Parker J. Clayton Miller	01-01-13 to 12-31-13 01-01-14 to 12-31-15
President of the Board of Sanitary Commissioners	Suzanne Miller	01-01-13 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE CITY OF RICHMOND, WAYNE COUNTY, INDIANA

This report is supplemental to our audit report of the City of Richmond (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 Plans 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

May 8, 2015

(This page intentionally left blank.)

CONTROLLER
CITY OF RICHMOND

CONTROLLER
CITY OF RICHMOND
FEDERAL FINDINGS

FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS

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:

1. **Preparing Financial Statements:** 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 failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement.
2. **Receipts:** Adequate controls were not in place over receipts. Receipts or other methods of logging monies received were not maintained at the point of collection. The City did not have adequate procedures in place to ensure that collections were properly posted to the records.

The City prepares and submits their financial information online through the Gateway system. The financial statement is compiled from the information provided by the Gateway system. The City did not have adequate controls in place to ensure the financial information reported was accurate. The failure to establish controls over financial transactions and reporting resulted in errors to the financial statement as follows:

- Receipts and disbursements were posted to the Wastewater Bond and Interest fund when they were transferred to the bank account instead of when the debt service payments were made causing the beginning cash balance to be understated by \$1,894,237; receipts to be understated by \$11,873; disbursements to be overstated by \$758,897; and the cash ending balance to be understated by \$2,665,007.
- The Wastewater 2012 Construction fund was not reported in the financial statement causing the beginning cash balance to be understated by \$14,710,760; receipts to be understated by \$3; disbursements to be understated by \$7,415,761; and the ending cash balance to be understated by \$7,295,002.
- Transfers to savings accounts for RP&L Depreciation and RP&L Insurance Reserve funds were posted as disbursements in error causing disbursements and ending cash balance to be overstated by \$14,837.
- Transfers between some electric utility funds were reported incorrectly causing receipts to be understated by \$344,362; disbursements to be understated by \$343,380; and ending balances to be understated by \$982.
- Ending balances for some electric utility funds were entered as the beginning balance in error causing both beginning and ending balances for RP&L Bond and Interest to be understated by \$343,380; RP&L Depreciation to be overstated by \$357,445; and RP&L Insurance Reserve to be overstated by \$1,744.

Audit adjustments were proposed, accepted by the City and made to the financial statement presented in this report.

CONTROLLER
CITY OF RICHMOND
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)

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 2013-002 - PREPARATION OF 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 review of the federal schedule failed to detect material errors. 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:

- Expenditures for the following cfda numbers and amounts were not included on the SEFA: 10.559 for \$7,546; 16.543 for \$3,704; 20.600 for \$19,416; and 20.601 for \$28,562.
- Expenditures for the following cfda numbers and amounts were overstated on the SEFA due to incorrect computations and posting errors: 11.307 for \$179,649 and 16.738 for \$3,171.
- Expenditures for the following cfda numbers and amounts were overstated on the SEFA due to incorrectly including state and local sources as federal funding: 20.106 for \$12,487 and 20.205 for \$16,773.

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.

CONTROLLER
CITY OF RICHMOND
FEDERAL FINDINGS
(Continued)

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 Guidedlines 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.
- (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 RICHMOND

DEPARTMENT OF FINANCE & PURCHASING
50 NORTH FIFTH STREET, RICHMOND, INDIANA 47374
PHONE (765) 983-7200 FAX (765) 983-7212

SALLY HUTTON
Mayor

SANDRA SPENCER
City Controller

TO: State Board of Accounts
FROM: Sandra Spencer, City Controller
REF: 2013 Audit Findings and Corrective Action Plan

FINDING 2013-001 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS

Contact Person: Sandra Spencer
Contact Number: 765-983-7215
Anticipated Completion Date: N/A

CORRECTIVE ACTION PLAN

1. Preparing Financial Statements: It was brought to my attention that bond and interest funds were not all posted to the financial statements. In the future, we will make sure to report those funds so that our receipts and disbursements will not be understated or overstated.
2. Receipts: We will implement a procedure to create a receipt for each transaction when funds are received, making sure to indicate the method of payment on each receipt.

Signed *Sandra Spencer*
Title *Controller*
Date *4/28/15*



CITY OF RICHMOND

DEPARTMENT OF FINANCE & PURCHASING
50 NORTH FIFTH STREET, RICHMOND, INDIANA 47374
PHONE (765) 983-7200 FAX (765) 983-7212

SALLY HUTTON
Mayor

SANDRA SPENCER
City Controller

TO: State Board of Accounts
FROM: Sandra Spencer, City Controller
REF: 2013 Audit Findings and Corrective Action Plan

FINDING 2013-002 –PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person: Tony Foster
Contact Number: 765-983-7211
Anticipated Completion Date: N/A

CORRECTIVE ACTION PLAN

1. It has been brought to my attention that effective internal controls are needed to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The Director of Metropolitan Development, his department, and the Controller's office will work together to detect inefficiencies in the current system to provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, segregation of duties, and compliance with laws and regulations going forward.

Signed *Sandra Spencer*

Title *Controller*

Date *4/28/15*

CONTROLLER
CITY OF RICHMOND
AUDIT RESULTS AND COMMENTS

RECEIPT ISSUANCE

We conducted a test designed to verify that receipts were issued at the time the transactions occurred. Our results found that 33 percent of the receipts tested were not issued at the time of the transactions and method of payment was not indicated on the receipt. Additionally, two checks were deposited, but no receipt was written and deposits were recorded through a journal entry.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BANK ACCOUNT RECONCILIATIONS

For 2014, depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliation did not balance due to a Tax Increment Financing distribution from the County not being recorded.

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."



CITY OF RICHMOND

DEPARTMENT OF FINANCE & PURCHASING
50 NORTH FIFTH STREET, RICHMOND, INDIANA 47374
PHONE (765) 983-7200 FAX (765) 983-7212

SALLY HUTTON
Mayor

SANDRA SPENCER
City Controller

TO: State Board of Accounts
FROM: Sandra Spencer, City Controller
REF: 2013 Audit Comments

1. Receipt Issuance: It was brought to my attention in this 2013 audit (finding 2013-001) that receipts were not issued in the accounting system at the time the transaction occurred and the method of payment was not indicated on the receipt. A Corrective Action Plan was created to correct going forward.
2. Bank Account Reconciliations: In 2014, due to the Controller and the Deputy Controller leaving, the bank reconciliation was not completed timely. H. J. Umbaugh and Associates was hired to complete the reconciliation process to make sure bank accounts are all balanced and everything is recorded.

Signed *Sandra Spencer*
Title *Controller*
Date *5/8/15*

CONTROLLER
CITY OF RICHMOND
EXIT CONFERENCE

The contents of this report were discussed on May 8, 2015, with J. Clayton Miller, President of the Common Council; Sandra Spencer, Interim Controller; Sarah Hutton, Mayor; Walter Chidester, City Attorney; and Tony Foster, Executive Director of Metropolitan Development.

(This page intentionally left blank.)

PUBLIC WORKS AND ENGINEERING
CITY OF RICHMOND

PUBLIC WORKS AND ENGINEERING
CITY OF RICHMOND
FEDERAL FINDING

FINDING 2013-003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE AIRPORT IMPROVEMENT PROGRAM

Federal Agency: Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Number and Year (or Other Identifying Number): 3-18-0071-015 and 3-18-0071-16

Pass-Through Entity: Direct

Management of the City has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and compliance with the Davis-Bacon Act requirements. The contractor's compliance with the Davis-Bacon Act requirements were managed by the construction engineering firm, but the City did not monitor their review of the requirements. 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 grant.

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, 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:

"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 that have a direct and material effect to 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 the compliance requirements noted above that have a direct and material effect to the program.



CITY OF RICHMOND

DEPARTMENT OF FINANCE & PURCHASING
50 NORTH FIFTH STREET, RICHMOND, INDIANA 47374
PHONE (765) 983-7200 FAX (765) 983-7212

SALLY HUTTON
Mayor

SANDRA SPENCER
City Controller

TO: State Board of Accounts
FROM: Sandra Spencer, City Controller
REF: 2013 Audit Findings and Corrective Action Plan

**FINDING 2013-003-INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT
HAVE A DIRECT AND MATERIAL EFFECT TO THE AIRPORT IMPROVEMENT
PROGRAM.**

Contact Person: Sandra Spencer
Contact Number: 765-983-7215
Anticipated Completion Date: N/A

CORRECTIVE ACTION PLAN

1. It has been brought to my attention that effective internal controls were not in place regarding the oversight of contractual labor for the Airport Improvement Program. We will work to be in compliance with this issue by making sure to establish internal controls that would require the engineer to oversee the work being done and to be sure the invoicing matches work done.

Signed *Sandra Spencer*
Title *Controller*
Date *4/28/15*

PUBLIC WORKS AND ENGINEERING
CITY OF RICHMOND
EXIT CONFERENCE

The contents of this report were discussed on May 8, 2015, with J. Clayton Miller, President of the Common Council; Sandra Spencer, Interim Controller; Sarah Hutton, Mayor; Walter Chidester, City Attorney; and Tony Foster, Executive Director of Metropolitan Development.

METROPOLITAN DEVELOPMENT
CITY OF RICHMOND

METROPOLITAN DEVELOPMENT
CITY OF RICHMOND
FEDERAL FINDINGS

FINDING 2013-004 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE ECONOMIC ADJUSTMENT ASSISTANCE PROGRAM

Federal Agency: Department of Commerce
Federal Program: Economic Adjustment Assistance
CFDA Number: 11.307
Federal Award Number and Year: 06-36-02088
Pass-Through Entity: Direct

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

ED-209 reports prepared for the periods ending March 31, 2013, and October 31, 2013, contained numerous posting errors including principle repayments being reported as income, Revolving Loan Fund (RFL) income added to RLF Capital base reported incorrectly, and loan losses not reported on the March 31, 2013 report.

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, 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."

13 CFR 307.14 Revolving Loan Fund semi-annual report and Income and Expense Statement states:

(a) Frequency of reports. All RLF Recipients, including those receiving Recapitalization Grants for existing RLFs, must complete and submit a semi-annual report in electronic format, unless EDA approves a paper submission.

(b) Report contents. RLF Recipients must certify as part of the semi-annual report to EDA that the RLF is operating in accordance with the applicable RLF Plan. RLF Recipients also must describe (and propose pursuant to § 307.9) any modifications to the RLF Plan to ensure effective use of the RLF as a strategic financing tool.

METROPOLITAN DEVELOPMENT
CITY OF RICHMOND
FEDERAL FINDINGS
(Continued)

(c) RLF Income and Expense Statement. An RLF Recipient using either fifty (50) percent or more (or more than \$100,000) of RLF Income for administrative costs in a six-month (6) Reporting Period must submit to EDA a completed Income and Expense Statement (Form ED-209I or any successor form) for that Reporting Period in electronic format, unless EDA approves a paper submission."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to 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 to the program.

FINDING 2013-005 - ECONOMIC ADJUSTMENT ASSISTANCE - SPECIAL TESTS AND PROVISIONS

Federal Agency: Department of Commerce
Federal Program: Economic Adjustment Assistance
CFDA Number: 11.307
Federal Award Number and Year: 06-36-02088
Pass-Through Entity: Direct

Management of the City has not established an effective internal control system, related to the grant agreement and special tests and provisions. 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 review of ED-209 reports prepared for the periods ending March 31, 2013, and October 31, 2013, revealed that excess cash was on hand and funds were required to be sequestered. The City also received notice from EDA indicating the City needed to sequester funds. Funds were not sequestered as required by the grant requirements.

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.

Excess funds should be sequestered.

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."

METROPOLITAN DEVELOPMENT
CITY OF RICHMOND
FEDERAL FINDINGS
(Continued)

13 CFR 307.16 Effective Utilization of Revolving Loan Funds states in part:

"(c) Capital utilization standard.

- (1) During the Revolving Phase, RLF Recipients must manage their repayment and lending schedules to provide that at all times at least seventy-five (75) percent of the RLF Capital is loaned or committed. The following exceptions apply:
 - (i) An RLF Recipient that anticipates making large loans relative to the size of its RLF Capital base may propose a Plan that provides for maintaining a capital utilization standard greater than twenty-five (25) percent; and
 - (ii) EDA may require an RLF Recipient with an RLF Capital base in excess of \$4 million to adopt a Plan that maintains a proportionately higher percentage of its funds loaned.
- (2) When the percentage of loaned RLF Capital falls below the capital utilization standard, the dollar amount of the RLF funds equivalent to the difference between the actual percentage of RLF Capital loaned and the capital utilization standard is referred to as 'excess funds.'
 - (i) Sequestration of excess funds. If the RLF Recipient fails to satisfy the capital utilization standard for two (2) consecutive Reporting Periods, EDA may require the RLF Recipient to deposit excess funds in an interest-bearing account. The portion of interest earned on the account holding excess funds attributable to the Federal Share (as defined in § 314.5 of this chapter) of the RLF Grant shall be remitted to the U.S. Treasury. The RLF Recipient must obtain EDA's written authorization to withdraw any sequestered funds.
 - (ii) Persistent non-compliance. An RLF Recipient will generally be allowed a reasonable period of time to lend excess funds and achieve the capital utilization standard. However, if an RLF Recipient fails to achieve the capital utilization standard after a reasonable period of time, as determined by EDA, it may be subject to sanctions such as suspension or termination."

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

We recommended that the City's management establish controls, including those related to the grant agreement and compliance requirements that have a direct and material effect to the program and sequester all funds as required by the grant requirements.



CITY OF RICHMOND

DEPARTMENT OF FINANCE & PURCHASING
50 NORTH FIFTH STREET, RICHMOND, INDIANA 47374
PHONE (765) 983-7200 FAX (765) 983-7212

SALLY HUTTON
Mayor

SANDRA SPENCER
City Controller

TO: State Board of Accounts
FROM: Sandra Spencer, City Controller
REF: 2013 Audit Findings and Corrective Action Plan

FINDING 2013-004 – INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A MATERIAL EFFECT TO THE ECONOMIC DEVELOPMENT CLUSTER.

Contact Person: Tony Foster
Contact Number: 765-983-7211
Anticipated Completion Date: N/A

CORRECTIVE ACTION PLAN

Federal Agency: Department of Commerce
Federal Program: Economic Development Cluster
CFDA Number: 11.307
Federal Award Number and Year: 06-36-02088
Pass-Through Entity: Direct

1. It has been brought to my attention that effective internal controls are needed to ensure grant funds and associated reporting are signed and reviewed by at least two persons for segregation of duties. This will be done by Tony Foster, Executive Director of Metropolitan Development and by the Controller or Mayor as needed.
2. The City of Richmond will make every effort to consider these findings when preparing future reports.

Signed *Sandra Spencer*
Title *Controller*
Date *4/28/15*



CITY OF RICHMOND

DEPARTMENT OF FINANCE & PURCHASING
50 NORTH FIFTH STREET, RICHMOND, INDIANA 47374
PHONE (765) 983-7200 FAX (765) 983-7212

SALLY HUTTON
Mayor

SANDRA SPENCER
City Controller

TO: State Board of Accounts
FROM: Sandra Spencer, City Controller
REF: 2013 Audit Findings and Corrective Action Plan

FINDING 2013-005 –ECONOMIC ADJUSTMENT ASSISTANCE-SPECIAL TESTS AND PROVISIONS

Contact Person: Sandra Spencer
Contact Number: 765-983-7215
Anticipated Completion Date: N/A

CORRECTIVE ACTION PLAN

1. It has been brought to my attention that sequestration of excess funds was not done in 2013. Due to the amount of RLF cash on hand, funds should have been sequestered into a separate account and any interest earned forwarded to the US Treasury. A \$250,000 loan was approved in 2013. Unfortunately it was not disbursed until 2014 due to the time it took to complete proper due diligence in securing proper liens/mortgages to secure the loan. If that loan would have been disbursed more timely, sequestration of funds may not have been required. The City of Richmond will make every effort to make sure that funds are properly sequestered moving forward.

Signed *Sandra Spencer*
Title *Controller*
Date *4/28/15*

METROPOLITAN DEVELOPMENT
CITY OF RICHMOND
EXIT CONFERENCE

The contents of this report were discussed on May 8, 2015, with J. Clayton Miller, President of the Common Council; Sandra Spencer, Interim Controller; Sarah Hutton, Mayor; Walter Chidester, City Attorney; and Tony Foster, Executive Director of Metropolitan Development.