

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, 2015 to December 31, 2015



FILED

11/03/2016

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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 12-31-19
Mayor	Todd D. Barton	01-01-12 to 12-31-19
President Pro Tempore of the Common Council	Dan Guard Andrew P. Biddle	01-01-15 to 12-31-15 01-01-16 to 12-31-16
Superintendent of Wastewater Utility	Larry Kadinger	01-01-15 to 12-31-16
Superintendent of Electric Utility	Phillip R. Goode	01-01-15 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2015 to December 31, 2015. 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

June 20, 2016

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CLERK-TREASURER
CITY OF CRAWFORDSVILLE

CLERK-TREASURER
CITY OF CRAWFORDSVILLE
FEDERAL FINDINGS

FINDING 2015-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition

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, it was identified that amounts in the schedule included funding provided by the state. This resulted in overstatements totaling \$128,565. There were several other errors such as incorrect program names, pass-through agencies, and CFDA numbers. One incorrect CFDA number caused the agency to be incorrect. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report.

Criteria

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)

2 CFR section 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with section 200.510 Financial statements. . . ."

2 CFR section 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with section 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

CLERK-TREASURER
CITY OF CRAWFORDSVILLE
FEDERAL FINDINGS
(Continued)

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within a cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in section 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe the significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in section 200.414 Indirect (F&A) costs."

Cause

Management had not established a system of internal control that would ensure proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected. The SEFA contained the errors identified in the *Condition*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan, which is part of this report.

CITY OF
CRAWFORDSVILLE
P.O. Box 329
Crawfordsville, IN 47933

Terri J. Gadd, IAMC
Clerk Treasurer

City Building
(765) 364-5150

May 26, 2016

CORRECTIVE ACTION PLAN

FINDING 2015-001

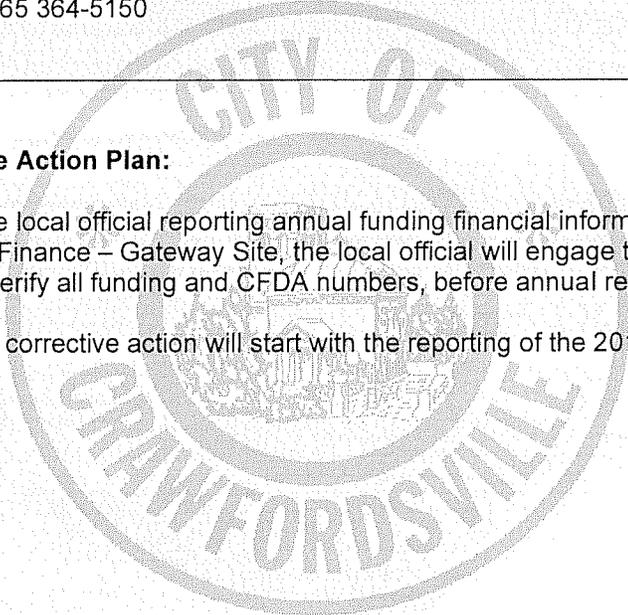
Contact Person Responsible for Corrective Action: Terri Gadd, Clerk Treasurer
Contact Phone Number: 765 364-5150

Description of Corrective Action Plan:

The Clerk Treasurer as the local official reporting annual funding financial information to the Department of Local Government and Finance – Gateway Site, the local official will engage the secretary of the Airport Aviation Board to verify all funding and CFDA numbers, before annual report is filed.

The implementation of the corrective action will start with the reporting of the 2016 annual financial reporting.

Anticipated Completion Date: May 26, 2016


Terri Gadd
(Signature)

Clerk Treasurer
(Title)

May 26, 2016

CLERK-TREASURER
CITY OF CRAWFORDSVILLE
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The financial statement presented for audit included the following funds with overdrawn cash balances at December 31, 2015:

Fund	Amount Overdrawn
Central Garage	\$ 34,296
Safer Retention Fund	44,170
Golf Course	31,230

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OFFICIAL BONDS NOT RECORDED

The following Official Bonds were not filed in the Office of the County Recorder:

- Fire Pension Secretary
- Police Pension Secretary
- General Manager Electric Utility
- Clerk-Treasurer
- Payroll Benefits Clerk
- Planning and Zoning Director
- Position Bond; City Council, City Redevelopment Comm
- City Attorney
- Chief of Police
- Fire Chief
- Street Commissioner
- Director Park and Recreation

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee or contractor of a political subdivision . . . shall file the bond . . . in the office of the county recorder in the county of residence of the officer, official, deputy, or employee. . . ."

CLERK-TREASURER
CITY OF CRAWFORDSVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

TIMELY RECORDKEEPING

The City's last payroll for 2015 was dated December 31, 2015. The payroll was posted to the Internal Revenue Service Form W-2, Wage and Tax Statements for 2015, but was not posted to the ledger until 2016. A manual override was used to prevent the payroll from posting to the 2015 ledger.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidance Manual for Cities and Towns, Chapter 7)

SUPPORTING DOCUMENTATION

The following disbursements did not include adequate supporting documentation to support the purchase.

<u>Date</u>	<u>Amount</u>	<u>Payee</u>	<u>Description of Purchase (if any)</u>
04-02-15	\$ 16	Tri County Bank & Trust VISA	Adobe Systems
	200	Tri County Bank & Trust VISA	Spirit Halloween
	38	Tri County Bank & Trust VISA	Kroger
	18	Tri County Bank & Trust VISA	Dollar Tree
	128	Tri County Bank & Trust VISA	Jimmy Johns
11-02-15	37	Tri County Bank & Trust VISA	Jimmy Johns
	32	Tri County Bank & Trust VISA	Walmart
	26	Tri County Bank & Trust VISA	Walgreens
Totals	\$ <u>496</u>		

Due to the lack of supporting information, we could not verify the purpose of the disbursements.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLERK-TREASURER
CITY OF CRAWFORDSVILLE
EXIT CONFERENCE

The contents of this report were discussed on June 20, 2016, with Todd D. Barton, Mayor; Terri J. Gadd, Clerk-Treasurer; and Andrew P. Biddle, President Pro Tempore of the Common Council.

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COMMON COUNCIL
CITY OF CRAWFORDSVILLE

COMMON COUNCIL
CITY OF CRAWFORDSVILLE
AUDIT RESULT AND COMMENT

HOME RULE ORDINANCE

The City's Police Department had "Buy Money," but the Council had not passed a corresponding Home Rule Ordinance allowing the use of funds for this program.

The following procedures shall be followed if a municipality wishes to obtain an appropriation and make expenditures for buy money or payments to informants:

1. Under IC 36-1-3 an ordinance shall be passed allowing this type of program and associated expenditures;
2. An appropriation for such purpose must be obtained in the manner authorized by state statutes;
3. Petty cash fund procedures are to be followed as authorized by IC 36-1-8-3; and
4. A minimum documentation procedure must be followed, similar to either:
 - A. *"Guidelines for the Expenditure of Confidential Funds,"* published by the U.S. Department of Criminal Justice.
 - B. *"Guidelines For Obtaining and Accounting For Confidential Funds Used in Support of Criminal Investigations,"* (Revised S.O.P. PR – INV-0017), by the Indiana State Police Department.

(Cities and Towns Bulletin and Uniform Compliance Guidelines, June 2016)

COMMON COUNCIL
CITY OF CRAWFORDSVILLE
EXIT CONFERENCE

The contents of this report were discussed on June 20, 2016, with Todd D. Barton, Mayor; Terri J. Gadd, Clerk-Treasurer; and Andrew P. Biddle, President Pro Tempore of the Common Council.

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BOARD OF PARKS AND RECREATION
CITY OF CRAWFORDSVILLE

BOARD OF PARKS AND RECREATION
CITY OF CRAWFORDSVILLE
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS - GOLF COURSE

The internal controls over receipts at the golf course were insufficient. Controls over voiding transactions and employee log in and password information for the golf course's computer system were not in place. This allowed an employee to access transactions under another employee's log in and void those transactions. There was no documentation to support the voided transactions and there was no management approval of the voided transactions.

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)

BOARD OF PARKS AND RECREATION
CITY OF CRAWFORDSVILLE
EXIT CONFERENCE

The contents of this report were discussed on June 20, 2016, with Fawn Johnson, Director of Parks and Recreation; Terri J. Gadd, Clerk-Treasurer; Todd D. Barton, Mayor; Jeff Nelson, President of the Board Parks and Recreation; and Andrew P. Biddle, President Pro Tempore of the Common Council.