

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF JONESBORO

GRANT COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
03/14/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Brittany Couse	02-14-12 to 12-31-19
Mayor	Terry Poling Robert McNutt	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President of the Board of Public Works	Terry Poling Robert McNutt	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President Pro Tempore of the Common Council	Robert Couse Quinten Shipley	01-01-14 to 12-31-16 01-01-17 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE CITY OF JONESBORO, GRANT COUNTY, INDIANA

This report is supplemental to our audit report of the City of Jonesboro (City), for the period from January 1, 2014 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the City, which provides our opinions on the City's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

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

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

January 18, 2017

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CLERK-TREASURER
CITY OF JONESBORO

CLERK-TREASURER
CITY OF JONESBORO
FEDERAL FINDING

FINDING 2014-001 - DAVIS-BACON ACT

Federal Agency: Environmental Protection Agency
Federal Program: Capitalization Grants for Clean Water State Revolving Funds
CFDA Number: 66.458
Federal Award Number and Year (or Other Identifying Number): WW14032701
Pass-Through Entity: Indiana Finance Authority

Condition

Management of the City had not established an effective internal control system related to the grant agreement and the Davis-Bacon Act compliance requirement.

Monitoring procedures were not in place at the City in order to ensure compliance with requirements related to the grant agreement and the Davis-Bacon Act compliance requirement. The City obtained all certified payrolls but did not monitor that prevailing wage rates were paid.

Therefore, the City did not review the certified payrolls for the contractors to ensure that a prevailing wage rate clause was included.

Context

The City did not have adequate controls in place to ensure compliance with the Davis-Bacon Act requirement of the Capitalization Grants for Clean Water State Revolving Funds program.

Criteria

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"

CLERK-TREASURER
CITY OF JONESBORO
FEDERAL FINDING
(Continued)

Cause

Management had not developed an effective system of internal controls that segregated key functions.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management establish controls related to the grant agreement and the Davis-Bacon Act requirement.

Views of Responsible Officials

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

A Community With Pride
CITY OF JONESBORO

Brittany Couse
Clerk-Treasurer

Finding 2014-001

Contact Person Responsible for Corrective Action: Brittany Couse
Contact Phone Number: 765-677-2014

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

1. The City will continue to enhance our internal controls and improve our oversight functions. The City will have copies of all information related to contractors and subcontractors on all projects.
2. The City has instituted a segregation of duties, to ensure compliance with both the grant agreement and the Davis Bacon compliance requirements.
3. The City will commit to training of employees involved in projects with federal funding so that they understand the requirements of the Davis Bacon Act.

Anticipated Completion Date: Immediately

Brittany Couse
(Signature)

Rob Demerutis
(Signature)

Clerk-Treasurer
(Title)

Mayor
(Title)

1-18-17
(Date)

01-18-17
(Date)

CLERK-TREASURER
CITY OF JONESBORO
AUDIT RESULTS AND COMMENTS

IMPROPER USE OF THE LOCAL LAW ENFORCEMENT CONTINUING EDUCATION FUND

The Local Law Enforcement Education (LLEE) fund was not properly used. The City posted receipts to this fund for the issuance of golf cart permits. The receipt from the issuance of golf cart permits should not have been accounted for in the LLEE fund.

The following statutes provide for the sources of receipts to be deposited into the local law enforcement continuing education fund established under Indiana Code 5-2-8-2:

1. Law Enforcement Continuing Education fees (Indiana Code 33-37-5-8 and Indiana Code 33-37-8-3)
2. Inspection of Motor Vehicle fees (Indiana Code 9-29-4-2)
3. Vehicle Accident Reports fees (Indiana Code 9-29-11-1)
4. Handgun License fees (Indiana Code 35-47-2-3)
5. Proceeds from the Sale of Confiscated Weapons (Indiana Code 35-47-3-2)

RECEIPT ISSUANCE

Receipts issued and reports generated by the City did not give a detail of the monetary composition of the receipt (cash, check, money order, etc.). As the composition of receipts was not documented, we were unable to determine if receipts were deposited in the same form as they were received.

Indiana Code 5-13-6-1(c) states in part: ". . . Public funds deposited under this subsection shall be deposited in the same form in which they were received."

ERRORS ON CLAIMS

A test of claims revealed disbursements made without supporting documentation, checks issued prior to council approval, and disbursements made without approval by the fiscal officer and/or the council.

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;

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

- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

UTILITY RECEIPTS TAX

The City did not calculate the Utility Receipts Tax on the proper amount of revenues. The City did not include penalties and reconnect fees in the computation.

Indiana Code 6-2.3-2-1 states in part:

"An income tax, known as the utility receipts tax, is imposed upon the receipt of:

- (1) the entire taxable gross receipts of a taxpayer that is a resident or a domiciliary of Indiana . . ."

RECORD OF HOURS WORKED

The Clerk-Treasurer paid police officers for time worked. However, the Chief of Police did not maintain time cards or service records for the department for 2014.

Indiana Code 5-11-9-2 states in part: ". . . all accounts or vouchers of any political subdivision of the state for personal services of officers and employees shall be made in such form as may be prescribed by the state board of accounts."

Indiana Code 5-11-9-4(b) states:

"The state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees:

- (1) covered by section 1 or 2 of this chapter; and
- (2) employed by more than one (1) public agency or in more than one (1) position by the same public agency described in section 1 or 2 of this chapter."

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employees' Service Record
General Form 99B, Employee's Earnings Record
General Form 99C, Employee's Weekly Earnings Record

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

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
CITY OF JONESBORO
EXIT CONFERENCE

The contents of this report were discussed on January 18, 2017, with Brittany Couse, Clerk-Treasurer; Quinten Shipley, President Pro Tempore of the Common Council; and Robert McNutt, Mayor.

POLICE DEPARTMENT
CITY OF JONESBORO

POLICE DEPARTMENT
CITY OF JONESBORO
AUDIT RESULTS AND COMMENTS

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POLICE DEPARTMENT
CITY OF JONESBORO
EXIT CONFERENCE

The contents of this report were discussed on January 18, 2017, with Joel Thomas, Chief of Police; Brittany Couse, Clerk-Treasurer; Quinten Shipley, President Pro Tempore of the Common Council; and Robert McNutt, Mayor.

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COMMON COUNCIL
CITY OF JONESBORO

COMMON COUNCIL
CITY OF JONESBORO
AUDIT RESULTS AND COMMENTS

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- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

SALARY ORDINANCE NON-COMPLIANCE

The City did not comply with its existing salary ordinance for 2014. A part-time employee was paid an hourly rate in excess of the approved rate. It was determined that this employee, at one time, was a full-time employee. When he became a part-time employee, his hourly rate was based on his former full-time rate.

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities, Chapter 1)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution/or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities, Chapter 1)

COMMON COUNCIL
CITY OF JONESBORO
EXIT CONFERENCE

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