

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF GARRETT

DEKALB COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED
12/19/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Marcie Conkle	01-01-22 to 12-31-23
Mayor	Todd Fiandt	01-01-22 to 12-31-23
President of the Board of Public Works and Safety	Todd Fiandt	01-01-22 to 12-31-23
President Pro Tempore of the Common Council	Todd Sattison	01-01-22 to 12-31-23
Superintendent of Water Utility	Patrick Kleeman	01-01-22 to 12-31-23
Superintendent of Wastewater Utility	Marcia Coe	01-01-22 to 12-31-23
Superintendent of Electric Utility	Dave Vanderbosch	01-01-22 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF GARRETT, DEKALB COUNTY, INDIANA

This report is supplemental to the audit report of the City of Garrett (City), for the period from January 1, 2022 to December 31, 2022. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with the Financial Statement Audit Report of the City, which provides our opinions on the City's financial statement. This report may be found at www.in.gov/sboa/.

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 Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

December 4, 2023

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CLERK-TREASURER
CITY OF GARRETT

CLERK-TREASURER
CITY OF GARRETT
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

A similar comment also appeared in prior Reports B53690 and B60353, entitled *ANNUAL FINANCIAL REPORT - SUPPLEMENTARY SCHEDULES*.

Condition and Context

Schedule of Expenditures of Federal Awards

The City did not complete the federal grant schedule portion of the 2022 Annual Financial Report in the Indiana Gateway for Government Units (Gateway) financial reporting system, which is the source of the Schedule of Expenditures of Federal Awards (SEFA). It is important that all federal grant receipts and disbursements be reported in Gateway as this affects the type of engagement the City is required to have performed.

Since the City did not expend the requisite amount of federal dollars during the audit period, a SEFA will not be presented in a separate compliance report.

Other Information - Schedule of Capital Assets

Capital asset information entered into Gateway could not be verified due to lack of supporting documentation for the amounts reported. The City has chosen to omit the Schedule of Capital Assets from the Financial Statement Audit Report for the City.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity 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](#)."

CAPITAL ASSETS

A similar comment also appeared in prior Reports B53690 and B60353, entitled *ANNUAL FINANCIAL REPORT - SUPPLEMENTARY SCHEDULES*.

Condition and Context

The City had a capital assets policy that detailed the threshold at which an item is considered a capital asset. However, the City did not properly maintain a complete detailed listing of all capital assets owned which reflects their acquisition value. In addition, the City did not complete a physical inventory at least every two years, as required.

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

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

A similar comment also appeared in prior Report B60353, entitled *MVH RESTRICTED FUND RECEIPTS*.

Condition and Context

The City did not allocate at least 50 percent of the State Motor Vehicle Highway distributions to the Motor Vehicle Highway - Restricted fund at the time of receipt for 2 of the 12 distributions tested. The City posted 100 percent of the July and December 2022 distributions to the Motor Vehicle Highway fund. This caused the Motor Vehicle Highway fund to be overstated by \$23,505 and the Motor Vehicle Highway - Restricted fund to be understated by the same amount.

Criteria

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted. (State Examiner Directive 2018-2)

STALE DATED OUTSTANDING CHECKS (WARRANTS)

A similar comment appeared in a Management Letter addressed to the Officials of the City of Garrett for the audit period ending December 31, 2021.

Condition and Context

The City's December 31, 2022 outstanding check list contained 129 stale dated checks ranging from January 2013 to December 2019 in the amount of \$25,917. Any warrants or checks written before January 1, 2020, should have been voided and receipted back into the fund or funds from which they were originally drawn on or before March 1, 2022.

Criteria

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void. . . ."

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

Indiana Code 5-11-10.5-3 states:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the:

- (1) board of finance of the political subdivision; or
- (2) fiscal body of a city or town.

The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states in part:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision. . . ."

CONTRACT UPLOADS

Condition and Context

The City had not uploaded any contracts that exceeded \$50,000 to the Indiana Gateway for Government Units (Gateway) financial reporting system. We identified four contracts related to leases and two contracts related to construction projects that should have been uploaded to Gateway.

Criteria

Indiana Code 5-14-3.8-3.5 states in part:

"(a) This section applies only to contracts that a political subdivision that is a taxing unit (as defined in [IC 6-1.1-1-21](#)) enters into after June 30, 2016.

(b) As used in this section, 'contract' includes all pages of a contract and any attachments to the contract.

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

(c) A political subdivision shall upload a digital copy of a contract to the Indiana transparency Internet web site one (1) time if the total cost of the contract to the political subdivision exceeds fifty thousand dollars (\$50,000) during the term of the contract. This subsection applies to all contracts for any subject, purpose, or term, except that a political subdivision is not required to upload a copy of an employment contract between the political subdivision and an employee of the political subdivision. . . . A political subdivision shall upload the contract not later than sixty (60) days after the date the contract is executed. If a political subdivision enters into a contract that the political subdivision reasonably expects when entered into will not exceed fifty thousand dollars (\$50,000) in cost to the political subdivision but at a later date determines or expects the contract to exceed fifty thousand dollars (\$50,000) in cost to the political subdivision, the political subdivision shall upload a copy of the contract within sixty (60) days after the date on which the political subdivision makes the determination or realizes the expectation that the contract will exceed fifty thousand dollars (\$50,000) in cost to the political subdivision. . . ."

ACCOUNTING OF THE IFA ADMINISTERED CRF MONEY

A similar comment also appeared in prior Report B60353, entitled *ACCOUNTING OF THE IFA ADMINISTERED CRF MONEY*.

Condition and Context

The City had a balance of \$17,974 in the Cares Provider Relief fund (CARES fund) at December 31, 2022. This amount is a result of not properly accounting for the Coronavirus Relief Fund (CFR). The fund balance should be zero. As such the amount in the fund should immediately be claimed to the General Fund, which will allow for the money to be expended for any general unit purpose with appropriation.

Criteria

Each local unit of government that receives an allocation from the Coronavirus Relief Fund administered by IFA shall establish a separate CARES grant fund with a fund number consistent with memorandum *Accounting and Appropriation of COVID-19 Grants, April 29, 2020* (updated September 29, 2020).

All Reimbursements received from IFA shall be receipted into a separate CARES grant fund that is specific to IFA reimbursements.

Reimbursed Public Health and Safety Payroll Costs

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options.

Option One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and re-appropriate the general fund (or other fund) in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

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

Once the disbursement is reversed within the general fund (or other fund), it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once adoption is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

Option Two. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum *CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020.* . . .**

(State Examiner Directive 2020-3)

CLERK-TREASURER
CITY OF GARRETT
EXIT CONFERENCE

The contents of this report were discussed on December 4, 2023, with Marcie Conkle, Clerk-Treasurer; Todd Fiandt, Mayor; and Todd Sattison, President Pro Tempore of the Common Council.