

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF GREENWOOD

JOHNSON COUNTY, INDIANA

January 1, 2014 to December 31, 2014



**FILED**  
12/18/2015



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Mayor	Mark W. Myers	01-01-12 to 12-31-15
Controller	Adam Stone	01-01-14 to 12-31-15
President of the Board of Public Works and Safety	Mark W. Myers	01-01-14 to 12-31-15
President of the Common Council	J. David Hopper	01-01-14 to 12-31-15
President of the Board of Aviation Commissioners	Dr. David Kovach Harry DePledge Scott Hines	01-01-14 to 12-31-14 01-01-15 to 07-08-15 07-09-15 to 12-31-15
Superintendent of Wastewater Utility	Keith Meier	01-01-14 to 12-31-15
Superintendent of Storm Water Utility	Christopher Jones	01-01-14 to 12-31-15



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF GREENWOOD, JOHNSON COUNTY, INDIANA

This report is supplemental to our audit report of the City of Greenwood (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/](http://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 Result and Comment 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 Result and Comment contained herein describes 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 Result and Comment, incorporated within this report, were not verified for accuracy.

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

September 2, 2015

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CONTROLLER  
CITY OF GREENWOOD

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CITY OF GREENWOOD  
FEDERAL FINDINGS

***FINDING 2014-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted a deficiency in the internal control system of the City related to financial transactions and reporting of the cash and investment balances. Internal controls over cash reconcilements have been properly designed by the City, but are not fully implemented. Some, but not all, cash reconcilements prepared by the Deputy Controller contained approving documentation by the City Controller.

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)

***FINDING 2014-002 - INTERNAL CONTROL OVER 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): EMW-2012-FH-00826 and  
EMW-2012-FO-01549

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: Cash Management, Period of Availability, Suspension and Debarment, and Reporting.

The City has not separated incompatible activities within the managing of the federal award programs over these areas. Documentation of their review to verify salaries had been paid by entity funds before submitting for reimbursement was not presented for audit. Documentation verifying the review of expenditures within the period of availability was not presented for audit. Documentation for review of the vendor for suspension and debarment was not presented for audit. Documentation of their review of the salaries submitted for reimbursement and reporting purposes was not presented for audit.

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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CITY OF GREENWOOD  
FEDERAL FINDINGS  
(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 2014-003 - ALLOWABLE COSTS***

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): EMW-2012-FH-00826 and  
EMW-2012-FO-01549

Certifications were not presented for audit for the employees covered under the SAFER salary grant. The employees in question worked solely on activities for this grant. The City was not aware of the requirement for semiannual certifications for employees that work solely on the program.

Estimated payroll amounts were submitted for reimbursement rather than actual payroll amounts as required by federal guidelines. Because the estimates were based on the award amount and were low estimates (overtime, pay for certifications, and allowances for clothing, for example, were not included in estimates), the reimbursement amount would not have been different if actual expenditures were submitted.

Management of the City has not established an effective internal control system related to the grant agreement and the Allowable Cost compliance 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.

OMB A-87, Appendix B, section h(3) states:

"Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries or wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee."

OMB A-87, Appendix B, section h(5e) states in part:

"Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards . . ."

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CITY OF GREENWOOD  
FEDERAL FINDINGS  
(Continued)

Noncompliance with 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 policies and procedures to ensure compliance and comply with Allowable Cost requirements 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."

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 Allowable Cost requirements.



## CORRECTIVE ACTION PLAN

### ***FINDING 2014-001***

Contact Person Responsible for Corrective Action: **Adam Stone**  
Contact Phone Number: **317-887-5288**

#### Description of Corrective Action Plan:

All cash reconcilements are in a shared Finance Folder for review by the Controller. This folder has been in place since 2012. Update on the progress of monthly reconciliations has been verbally communicated between the Controller and Deputy Controller. The Deputy Controller was negligent in requesting the Controller's initials on the physical bank statement and reconciliations in 2014. This has been corrected as of January 2015. Our current process is that all reconcilements are completed and physically provided to the Controller for each month. After the Controller reviews a date and initial is placed on the reconciliation page and/or bank statement.

Anticipated Completion Date: January 31, 2015 – current

### ***FINDING 2014-002***

Contact Person Responsible for Corrective Action: **Adam Stone**  
Contact Phone Number: **317-887-5288**

#### Description of Corrective Action Plan:

Grant EMW-2012-FH-00826 is the SAFER grant for reimbursement for 3 probationary firefighters with specific duties assigned for the grant award. The original salaries and benefits were given to the grant manager in the fire department by the Deputy Controller for the grant application. The estimates were not kept in the grant folder or saved e-mails. The grant was awarded based upon these estimates.

Since the audit the Deputy Controller reviewed the grant receipts and has verified the reimbursements by payroll and awarded amount. The Deputy Controller has also worked with the Fire Department grant manager regarding the 2015 and 2016 requests for reimbursements. All 2015 reimbursements have been verified by the Deputy Controller and documentation for the 2015 and 2016 requests is in the SAFER grant folder for audit.

Anticipated Completion Date: September 1, 2015 – ongoing

**FINDING 2014-003**

Contact Person Responsible for Corrective Action: **Adam Stone**  
Contact Phone Number: **317-887-5288**

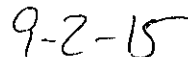
Description of Corrective Action Plan:

Until the 2015 Audit we were unaware of the requirement to capture time and effort certifications. All time and effort certifications have now been recorded for the Fire Department SAFER Grant. The Fire Department grant manager has the required forms and will be compiling the information every six months as required.

Estimated payment amounts were required for the grant application, which include estimated of all salaries and benefits. The award is based on the grant application estimated amounts. Amendments can be made and approved to increase the estimated amount by the Department of Homeland Security if necessary.

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

CONTROLLER  
CITY OF GREENWOOD  
EXIT CONFERENCE

The contents of this report were discussed on September 2, 2015, with Mark W. Myers, Mayor; J. David Hopper, President of the Common Council; Adam Stone, Controller; Kathie Fritz, Deputy Controller; and Krista Taggart, Corporation Counsel.

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GREENWOOD AIRPORT  
CITY OF GREENWOOD

GREENWOOD AIRPORT  
CITY OF GREENWOOD  
AUDIT RESULT AND COMMENT

***CONDITION OF RECORDS***

Financial records presented for audit were incomplete and not reflective of the activity of the Aviation Fund. The records presented did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

The Airport offers fuel discounts for full-service fuel purchases based on fuel type and gallonage. The discount is applied manually at the point of sale, and the credit card system in use does not provide significant documentation on the amount of discount applied to a specific fuel purchase.

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)



## CORRECTIVE ACTION PLAN

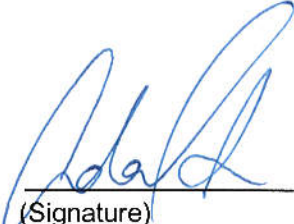
Contact Person Responsible for Corrective Action: Adam Stone  
Contact Phone Number: 317-887-5288


### Description of Corrective Action Plan:


In response to the Greenwood Municipal Airport's audit result and comment mentioned during the City of Greenwood's 2014 audit exit conference on Wednesday September 2<sup>nd</sup> the City has taken the following steps to remedy the aviation fuel discount issue.

Effective immediately, the Airport Manager and staff will notate the advertised price per gallon as well as the effective per gallon discount on the sales receipt. This will enable us track fuel discounts to ensure they are being applied accurately and consistently. In addition, we will be looking into POS enhancements that will enable us to track the discounts automatically. If you have any questions or additional recommendations do not hesitate to let us know.

Anticipated Completion Date: Already Implemented – current

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

**Finance Department**  
300 South Madison Avenue  
Greenwood IN 46142

317-887-5233  
greenwood.in.gov

GREENWOOD AIRPORT  
CITY OF GREENWOOD  
EXIT CONFERENCE

The contents of this report were discussed on September 2, 2015, with Scott Hines, President of the Board of Aviation Commissioners; Lori Curless, Airport Manager; Mark W. Myers, Mayor; J. David Hopper, President of the Common Council; Adam Stone, Controller; Kathie Fritz, Deputy Controller; and Krista Taggart, Corporation Counsel.