

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF SPEEDWAY

MARION COUNTY, INDIANA

January 1, 2014 to December 31, 2014



**FILED**  
02/24/2016



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Monty Combs	01-01-14 to 12-31-15
President of the Town Council	Gary Raikes David Lindsey	01-01-14 to 12-31-14 01-01-15 to 12-31-15
Superintendent of Water Utility	Stephen Hurst	01-01-14 to 12-31-15
Superintendent of Wastewater Utility	Norman Berry	01-01-14 to 12-31-15



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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TO: THE OFFICIALS OF THE TOWN OF SPEEDWAY, MARION COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Speedway (Town), 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 Town. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the Town, which provides our opinions on the Town'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 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

November 12, 2015

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CLERK-TREASURER  
TOWN OF SPEEDWAY

CLERK-TREASURER  
TOWN OF SPEEDWAY  
FEDERAL FINDINGS

***FINDING 2014-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The Town 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). It was determined that no review of the preparation of the SEFA was performed.

The Town 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: Two grants from the Environmental Protection Agency were omitted from the SEFA. The first was in the amount of \$134,166 and the second in the amount of \$493,227. Two grants from the Department of Transportation were omitted from the SEFA. The first was in the amount of \$14,911 and the second in the amount of \$9,186. Audit adjustments were proposed, accepted by the Town, 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.

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)

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.

CLERK-TREASURER  
TOWN OF SPEEDWAY  
FEDERAL FINDINGS  
(Continued)

- (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."

***FINDING 2014-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted several deficiencies in the internal control system of the Town related to financial transactions and reporting.

1. Lack of Segregation of Duties: The Town has not separated incompatible activities related to receipts and cash and investment balances.

All of the Clerk-Treasurer's Office employees had the ability to open mail, collect money, write receipts, and prepare deposit slips for both the Town and Utility collections.

Bank reconciliements were not prepared for all accounts.

The same individual was responsible for receiving monies, writing receipts, preparing deposit slips, and making deposits for the Redevelopment Commission collections.

The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

2. Report Preparation: The Town has not established effective controls to allow for proper reporting of the Town's receipts, disbursements, and cash and investment balances. The financial statement was compiled by a consultant from information entered into the Town's accounting system. The consultant entered the annual financial report information into the Annual Financial Report within the Gateway System, and the Clerk-Treasurer reviewed this information and submitted it. The financial statement presented for audit included the following errors and omissions:

The balance and transactions of the SRC/Operating Fund were incorrectly reported in the financial statement. Transactions for the first half of the year were not accounted for in the financial statement, and transactions noted for the second half of the year contained posting errors. These errors and omissions resulted in cash being overstated by \$598,886.

CLERK-TREASURER  
TOWN OF SPEEDWAY  
FEDERAL FINDINGS  
(Continued)

The balance and transactions of the Redevelopment Fund were incorrectly reported in the financial statement. Transactions for the first half of the year were not accounted for in the financial statement, and transactions noted for the second half of the year contained posting errors. These errors and omissions resulted in cash being understated by \$1,117,517.

The SRF - BONY funds were incorrectly reported in the financial statement. Substantially all activity that occurred for these funds was not recorded in the Town's ledger or reported on the financial statement. Thus, cash was overstated by \$2,995,319 for SRF-BONY funds.

The Payroll funds were incorrectly reported in the financial statement. Substantially all activity that occurred for these funds was not recorded in the Town's ledger or reported on the financial statement. Thus, cash was overstated by \$6,703,473 for Payroll funds.

The 2009 SRA Trust/Agent Acct fund was incorrectly reported in the financial statement. Substantially all activity that occurred for this fund was not recorded in the Town's ledger or reported on the financial statement. Thus, cash was understated by \$107,493 for the 2009 SRA Trust/Agent Acct fund.

The 2010 SRA Trust/Agent Acct fund was incorrectly reported in the financial statement. Substantially all activity that occurred for this fund was not recorded in the Town's ledger or reported on the financial statement. Thus, cash was overstated by \$67,857 for the 2010 SRA Trust/Agent Acct fund.

The Town did not have internal controls in place to ensure that accurate monthly reconciliations of the bank accounts to the records were prepared and reviewed. A financial consultant was hired by the Town in 2014 to reconcile the records to the bank statements. The consultant completed the December 2014 reconciliation for the General Operating account, Water Operating account, Wastewater Operating account and the Utility Escrow account in June 2015. Bank reconciliations were not prepared for Redevelopment or SRF-BONY accounts during 2014. The lack of timely and accurate bank reconciliations can result in posting errors not being located and corrected.

The Town approved and made the necessary adjustments to the financial statement included 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.

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)

CLERK-TREASURER  
TOWN OF SPEEDWAY  
FEDERAL FINDINGS  
(Continued)

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 presented by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

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."

***FINDING 2014-003 - DAVIS-BACON ACT***

Federal Agency: Environmental Protection Agency  
Federal Program: Capitalization Grants for Drinking Water State Revolving Funds  
CFDA Number: 66.468  
Federal Award Number and Year (or Other Identifying Number): DW11074901  
Pass-Through Entity: Indiana Finance Authority

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Davis-Bacon Act compliance requirements. The construction contracts did not contain the prevailing wage clause. In addition, certified payroll records were not submitted to the Town as required by the Davis-Bacon Act.

The failure to establish an effective internal control system places the Town 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.

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  
TOWN OF SPEEDWAY  
FEDERAL FINDINGS  
(Continued)

29 CFR 5.5 states in part:

"(a) The Agency head shall cause or require the contracting officer to insert in full in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a public building or public work, or building or work financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the acts listed in §5.1, the following clauses (or any modifications thereof to meet the particular needs of the agency, *Provided*, That such modifications are first approved by the Department of Labor): . . .

(3) *Payrolls and basic records.*

(i) Payrolls and basic records relating thereto shall be maintained by the contractor during the course of the work and preserved for a period of three years thereafter for all laborers and mechanics working at the site of the work (or under the United States Housing Act of 1937, or under the Housing Act of 1949, in the construction or development of the project. . . .

(ii) (A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency). . . .

(B) Each payroll submitted shall be accompanied by a 'Statement of Compliance,' signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract . . ."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the Town.

We recommended that the Town implement proper procedures to ensure all contracts include the prevailing wage clause and that weekly payroll is properly monitored.

**FINDING 2014-004 - ACTIVITIES ALLOWED OR UNALLOWED  
AND ALLOWABLE COSTS/COST PRINCIPLES**

Federal Agency: Department of Housing and Urban Development  
Federal Program: Community Development Block Grants/States Program  
and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): DR2-09-100X, 2014

Pass-Through Entity: Indiana Office of Community and Rural Affairs

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements of Activities Allowed or Unallowed and Allowable Costs/Cost Principles.

CLERK-TREASURER  
TOWN OF SPEEDWAY  
FEDERAL FINDINGS  
(Continued)

The Town did not have available supporting documentation on the Community Development Block Grant drawdowns. As a result, we were unable to determine whether or not the Town used the grant for Allowable Activities or Allowable Costs.

The failure to establish an effective internal control system places the Town 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.

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."

24 CFR 85.20 (b) states in part:

"(6) Source document. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc."

24 CFR 85.42 states in part:

"(b)(1) Except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the Town.

We recommended that the Town's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

CLERK-TREASURER  
TOWN OF SPEEDWAY  
FEDERAL FINDINGS  
(Continued)

***FINDING 2014-005 - CASH MANAGEMENT***

Federal Agency: Department of Housing and Urban Development  
Federal Program: Community Development Block Grants/States Program  
and Non-Entitlement Grants in Hawaii  
CFDA Number: 14.228  
Federal Award Number and Year (or Other Identifying Number): DR2-09-100X, 2014  
Pass-Through Entity: Indiana Office of Community and Rural Affairs

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

The Town has not designed or implemented policies and procedures to adequately segregate duties surrounding grant expenditures and submission of timely and accurate grants reimbursement requests.

The failure to establish an effective internal control system places the Town 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.

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 enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the Town.

We recommended that the Town's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

CLERK-TREASURER  
TOWN OF SPEEDWAY  
FEDERAL FINDINGS  
(Continued)

**FINDING 2014-006 - EQUIPMENT AND REAL PROPERTY MANAGEMENT**

Federal Agency: Department of Housing and Urban Development  
Federal Program: Community Development Block Grants/States Program  
and Non-Entitlement Grants in Hawaii  
CFDA Number: 14.228  
Federal Award Number and Year (or Other Identifying Number): DR2-09-100X, 2014  
Pass-Through Entity: Indiana Office of Community and Rural Affairs

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Equipment and Real Property Management compliance requirement.

The Town did not maintain a complete inventory of construction in progress or infrastructure assets for the sewer separation project. A physical inventory has not been taken in the last three years.

The failure to establish an effective internal control system places the town 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.

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."

24 CFR 85.32 states in part:

"(d) *Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

CLERK-TREASURER  
TOWN OF SPEEDWAY  
FEDERAL FINDINGS  
(Continued)

- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. "

Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the Town.

We recommended that the Town's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above. We also recommended that the Town record their capital assets on the prescribed Capital Assets Ledger (City and Town Form 211) in the appropriate classifications.



# CIVIL TOWN OF SPEEDWAY

1450 NORTH LYNHURST DRIVE  
SPEEDWAY, INDIANA 46224-6499

TOWN COUNCIL  
DAVID LINDSEY, President  
EILEEN FISHER  
GARY L. RAIKES  
WILLIAM SUFFEL  
JEFF MATTHEWS

TELEPHONE: 317/ 246-4111  
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TOWN CLERK TREASURER  
MONTY W. COMBS

TOWN MANAGER  
Ian Nicolini

November 9, 2015

## CORRECTIVE ACTION PLAN

### Section II

#### **2014 -001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*Response: As of July 1, 2014 all Financials are handled by the Clerk-Treasurer's Office per change in State Statute.*

#### **2014 - 002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

We noted several deficiencies in the internal control system of the Town related to financial transactions and reporting.

1. Lack of Segregation of Duties: The Town has not separated incompatible activities related to receipts and cash and investment balances.

All of the Clerk-Treasurer's Office employees had the ability to open mail, collect money, write receipts, prepare deposit slips, and make deposits for both the Town and Utility collections.

*Response: The above issues were corrected in early 2014, with multiple changes, to correct the internal control issues from previous years.*

Bank reconcilements were not prepared for all accounts.

*Response: This issue had been a problem for a number of years, and the Town hired a consultant to correct the reconciliations. In May 2014 this was completed, but was later found to be incorrect. This has sense been corrected and are being completed timely.*

The same individual was responsible for receiving monies, writing receipts, preparing deposit slips, and making deposits for the Redevelopment Commission collections.

*Response: As of July 1, 2014 all Financials are handled by the Clerk-Treasurer's Office per change in State Statute.*

2. Report Preparation: The Town has not established effective controls to allow for proper reporting of the Town's receipts, disbursements, and cash and investment balances. The financial statement was compiled by a consultant from information entered into the Town's accounting system. The consultant entered the annual financial report information into the Annual Financial Report within the Gateway System, and the Clerk-Treasurer reviewed this information and submitted it. The financial statement presented for audit included the following errors and omissions:

*Response: As of July 1, 2014 all Financials are handled by the Clerk-Treasurer's Office per change in State Statute.*

The balance and transactions of the SRC/Operating Fund were incorrectly reported in the financial statement. Transactions for the first half of the year were not accounted for in the financial statement, and transactions noted for the second half of the year contained posting errors. These errors and omissions reflected cash to be over stated in the original report by \$598,886.

*Response: As of July 1, 2014 all Financials are handled by the Clerk-Treasurer's Office per change in State Statute.*

The balance and transactions of the Redevelopment Fund were incorrectly reported in the financial statement. Transactions for the first half of the year were not accounted for in the financial statement, and transactions noted for the second half of the year contained posting errors. These errors and omissions reflected cash to be understated by \$1,117,517.

*Response: As of July 1, 2014 all Financials are handled by the Clerk-Treasurer's Office per change in State Statute*

The SRF - BONY Funds were incorrectly reported in the financial statement. Substantially all activity that occurred in the bank statements were not always recorded in the Town's ledger. Thus, cash was overstated by \$2,995,319 for SRF-BONY Funds.

*Response: This is a correct statement and a process is in place to correct the concern.*

The Payroll funds were incorrectly reported in the financial statement. Substantially all activity that occurred in the bank statements were not always recorded in the Town's ledger. Thus cash was overstated by \$6,703,473 for Payroll funds.

*Response: This is a correct statement and has been corrected. The Clerk-Treasurer felt that the posting of payroll in a second section of our financials would result in double posting the Payroll. After multiple meetings with the SBOA, we have changed the process.*

The 2009 SRA Trust/Agent Acct fund was incorrectly reported in the financial statement. Substantially all activity that occurred in the bank statements were not always recorded in the Town's ledger. Thus cash was understated by \$107,493 for the 2009 SRA Trust/Agent Acct fund.

The 2010 SRA Trust/Agent Acct fund was incorrectly reported in the financial statement. Substantially all activity that occurred in the bank statements were not always recorded in the Town's ledger. Thus cash was overstated by \$67,857 for the 2010 SRA Trust/Agent Acct fund.

*Response: As of July 1, 2014 all Financials are handled by the Clerk-Treasurer's Office per change in State Statute.*

The Town did not have internal controls in place to ensure that accurate monthly reconciliations of the bank accounts to the records are prepared and reviewed. A financial consultant was hired by the Town in 2014 to reconcile the records to the bank statements. The consultant completed the December 2014 reconciliation for the General Operating account, Water Operating account, Wastewater Operating account and the Utility Escrow account in June 2015. Bank Reconcilements were not prepared for Redevelopment and SRF-BONY accounts during 2014. The lack of timely and accurate bank reconcilements can result in posting errors not being located and corrected.

The Town approved and made the necessary adjustments to the financial statements included in this report.

*Response: The SBOA is correct in their statement and the delay in correcting the issue was due to errors of the first consultant for the previous Clerk-Treasurer. As of 2015 the reconciliations of Bank Accounts are being completed as required.*

### *Section III*

#### **2014-003 DAVIS-BACON ACT**

Federal Agency: Environmental Protection Agency

Federal Program: Capitalization Grants for Drinking Water State Revolving Funds

CFDA Number: 66.468

Federal Award Number and Year (or Other Identifying Number): DW11074901

Pass-Through Entity: Indiana Finance Authority

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Davis-Bacon Act compliance requirements. The construction contracts did not contain the prevailing wage clause.

In addition, certified payroll records were not submitted to the Town as required by the Davis-Bacon Act.

The failure to establish an effective internal control system places the Town 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.

*Response: This finding is duly noted for future projects. The current SRF program for Drinking Water is nearly complete.*

**2014-004 – ACTIVITES ALLOWED OR UNALLOWED AND ALLOWABLE COSTS/COST PRINCIPLES**

Federal Agency: Department of Housing and Urban Development

Federal Program: Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): DR-209-210 2014

Pass-Through Entity: Indiana Office of Community and Rural Affairs

-  
Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements of Activities Allowed or Unallowed and Allowable Costs/Cost Principles.

The Town did not have available supporting documentation on the Community Development Block Grant drawdowns. The current internal control structure has a number of features present to provide reasonable assurance that the effectiveness of internal controls over time is being appropriately monitored; however, supporting documentation was not maintained for audit.

*Response: This finding is duly noted for future projects. The OCRA program mentioned was completed prior to the current Clerk-Treasurer's term. This particular project was managed by the previous Town Manager.*

**2014-005 – CASH MANAGEMENT**

Federal Agency: Department of Housing and Urban Development  
Federal Program: Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii  
CFDA Number: 14.228  
Federal Award Number and Year (or Other Identifying Number): DR-209-210 2014  
Pass-Through Entity: Indiana Office of Community and Rural Affairs

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

The Town has not designed or implemented policies and procedures to adequately segregate duties surrounding grant expenditures and submission of timely and accurate grants reimbursement requests.

*Response: This finding is duly noted for future projects. The OCRA program mentioned was completed prior to the current Clerk-Treasurer's term. This particular project was managed by the previous Town Manager. In 2014 a comprehensive Capital Assets review was completed and will be updated on an annual basis moving forward.*

**2014-006 – EQUIPMENT AND REAL PROPERTY MANAGEMENT**

Federal Agency: Department of Housing and Urban Development  
Federal Program: Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii  
CFDA Number: 14.228  
Federal Award Number and Year (or Other Identifying Number): DR-209-210 2014  
Pass-Through Entity: Indiana Office of Community and Rural Affairs

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Equipment and Real Property Management compliance requirement.

The Town did not maintain a complete inventory of construction in progress or infrastructure assets for the sewer separation project. A physical inventory has not been taken in the last three years.

*Response: This finding is duly noted for future projects. The OCRA program mentioned was completed prior to the current Clerk-Treasurer's term. This particular project was managed by the previous Town Manager. In 2014 a comprehensive Capital Assets review was completed and will be updated on an annual basis moving forward.*

Monty W. Combs  
Monty W. Combs, CFE  
Clerk-Treasurer

Nov. 9, 2015  
Date



CLERK-TREASURER  
TOWN OF SPEEDWAY  
AUDIT RESULTS AND COMMENTS

**OVERDRAWN CASH BALANCES**

The financial statements presented for audit included the following funds with overdrawn cash balances at December 31, 2014:

Fund	Amount Overdrawn
2013 Street Improvement	\$ 1,267,196
Parks and Recreation	43,026
Street Improv B & I	12,015
2011 G.O. Bond	7,964
Sewer Bond and Interest	1,145,448
Sewer Debt Serv Reserve	230,167
SW Recycling Fees	2,820
SW/2013 Bond	159,927
Water Depreciation	93
Water Bond and Interest	434,690

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)

**APPROPRIATIONS**

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	Years	Excess Amount Expended
General Fund	2014	\$ 87,006
Motor Vehicle Highway	2014	2,339
Com Cap Development	2014	43,484
Fire Pension	2014	57,630

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

**BANK ACCOUNT RECONCILIATIONS**

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations were not performed timely. The December 31, 2014 reconciliation for 4 of the Town's accounts were not completed until June 2015, by a consultant.

CLERK-TREASURER  
TOWN OF SPEEDWAY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Also, the Town utilizes their computer system bank reconciliation feature for some of their funds; however, this is not considered a true bank reconciliation. These reconciliations contained reconciling items that the unit had no support for.

The Town had over fifty active bank accounts during the 2014 audit period. Of these bank accounts some were not reconciled at all during 2014.

The Redevelopment Commission depository reconciliations were prepared for the first half of 2014, but not for the second half of 2014.

The combined reconciliation of all the Town's depository accounts contained numerous errors, and fund balances exceeded bank balances by \$302,442.

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."

***PENALTIES, INTEREST, AND OTHER CHARGES***

The Town paid penalties, interest, and other charges to the Internal Revenue Service in the amount of \$2,466 because the Town did not remit payments on a timely basis. The penalties paid related to the 2012 and 2013 taxing periods.

A similar comment appeared in prior Report B44681.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***FUND SOURCES AND USES***

The Town Manager's salary was paid on a 50-50 ratio by the Water Utility and Wastewater Utility. No documentation was provided to support this ratio. The Town Manager's salary should be prorated based on the percentage of job duties and assigned responsibilities performed for each Utility and the Town separately.

A similar comment appeared in several previous Reports, most recently B44681.

The salaries for the four employees in the Clerk-Treasurer's Office paid 33.3 percent from Water Utility, 33.3 percent Wastewater Utility, and 33.3 percent Town General Funds. No basis of determination as to how all 4 employees were determined to be allocated in this manner was provided

CLERK-TREASURER  
TOWN OF SPEEDWAY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)



# CIVIL TOWN OF SPEEDWAY

1450 NORTH LYNHURST DRIVE  
SPEEDWAY, INDIANA 46224-6499

TOWN COUNCIL  
DAVID LINDSEY, President  
EILEEN FISHER  
GARY L. RAIKES  
WILLIAM SUFFEL  
JEFF MATTHEWS

TELEPHONE: 317/ 246-4111  
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TOWN CLERK TREASURER  
MONTY W. COMBS

TOWN MANAGER  
Ian Nicolini

## TOWN OF SPEEDWAY AUDIT RESULTS AND COMMENTS

### **OVERDRAWN CASH BALANCES**

The financial statements presented in this report included the following funds with overdrawn cash balances at December 31, 2014:

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)

**Response:** In reviewing each of the funds identified as overdrawn I found that posting errors from 2013 and early 2014 created these comments. For example the 2013 Street Improvement Bond Fund that shows a \$1,267,196.08 overdrawn amount in the fund in 2014. The error occurred in 2013 when the Bond revenue was not posted therefore showing all spending as an overdrawn amount.

### **APPROPRIATIONS**

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

**Response:** Many of these are errors in posting to certain appropriations, and have been corrected for 2015.

## **BANK ACCOUNT RECONCILIATIONS**

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations were not performed timely. The December 31, 2014 reconciliation for four of their accounts was completed in June 2015, by a Consultant.

Also, the Town utilizes their computer system bank reconciliation feature for some of their funds; however, this is not considered a true bank reconciliation. These reconciliations contained reconciling items that the unit had no support for.

The Town had over 50 active bank accounts during the 2014 audit period. Of these bank accounts some were not reconciled at all during 2014.

The Redevelopment Commission depository reconciliations were prepared for the first half of 2014, and not for the second half of 2014.

The combined reconciliation of all the Towns depository accounts contained numerous errors, and fund balances exceeded bank balances by \$302,442.

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."

**Response:** It has been well known per audits that Bank Reconciliations had not been performed at all for two to four years, prior to 2014. Due to the accounts not being completed a contractor was hired to reconcile those accounts. They worked until May of 2014 to finish their work. On June 2<sup>nd</sup> 2014 the SBOA came to Town Hall for the 2013 Audit. Their direction was to not attempt any further reconciliation with their review beginning. Our exit conference was in October of 2014 and it was clear the reconciliations were not correct. Then in early 2015 with assistance from Crowe Horwath, we completed the balancing of accounts and are now up to date with reconciliations as required. The 50 bank accounts comment has been slowly being reduced and it has been cut in half since 2014.

## **PENALTIES, INTEREST, AND OTHER CHARGES**

The Town paid penalties, interest, and other charges to the Internal Revenue Service in the amount of \$2,466 because the Town did not remit payments on a timely basis. The penalties paid related to the 2012 and 2013 taxing periods.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**Response:** In January 2014 the payroll company with whom the Town was working was notified that a change to another company would take effect on March 1<sup>st</sup>, 2014. The company

underpaid our taxes for the first quarter of 2014 causing a penalty. It was unknown until the IRS notified us so the penalty was paid.

**FUND SOURCES AND USES**

The Town Manager's salary was paid on a 50-50 ratio by the Water Utility and Wastewater Utility. No documentation was provided to support this ratio. The Town Manager's salary should be prorated based on the percentage of job duties and assigned responsibilities performed for each Utility and the Town separately. A similar comment appeared in several previous reports, most recently B44681.

The salaries for the four employees in the Clerk-Treasurer's office were also paid 50% from Water Utility and 50% from Wastewater Utility Funds during the first half of 2013. In June of 2013, an ordinance was passed to have all of these employees' payroll changed to being paid 33.3% from Water Utility, 33.3% Wastewater Utility, and 33.3% Town General Funds. No basis of determination as to how all four employees were determined to be allocated in this manner was provided. Employees should be prorated based on the percentage of the employees duties spent for each activity.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**Response:** The Town Manager's pay was changed in 2015 to 33.3% portions for the General Fund, Wastewater and Waterworks.

**RECEIPT ISSUANCE - Police department**

We conducted a test designed to verify that receipts issued were properly recorded to the town's records at the time the transactions occurred. Our test of this procedure found that 20 percent of the receipts tested were not recorded at the time of the transactions.

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 Towns, Chapter 7)

**Response:** This issue has been corrected and deposits are made more frequently.

Date: November 19, 2015



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Monty W. Combs, CFE  
Clerk-Treasurer

CLERK-TREASURER  
TOWN OF SPEEDWAY  
EXIT CONFERENCE

The contents of this report were discussed on November 12, 2015, with Monty Combs, Clerk-Treasurer, and David Lindsey, President of the Town Council.

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POLICE DEPARTMENT  
TOWN OF SPEEDWAY

POLICE DEPARTMENT  
TOWN OF SPEEDWAY  
AUDIT RESULT AND COMMENT

***RECEIPT ISSUANCE***

We conducted a test designed to verify that receipts issued were properly recorded to the Town's records at the time the transactions occurred. Our test of this procedure found that 20 percent of the receipts tested were not recorded at the time of the transactions.

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 Towns, Chapter 7)

POLICE DEPARTMENT  
TOWN OF SPEEDWAY  
EXIT CONFERENCE

The contents of this report were discussed on November 12, 2015, with Monty Combs, Clerk-Treasurer; David Lindsey, President of the Town Council; and James Campbell, Chief of Police.