

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF WESTFIELD

HAMILTON COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
06/09/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cindy Gossard	01-01-12 to 12-31-19
Mayor	Andrew Cook	01-01-12 to 12-31-19
President of the Board of Public Works and Safety	Andrew Cook	01-01-12 to 12-31-19
President Pro Tempore of the Common Council	Jim Ake Chuck Lehman	01-01-14 to 12-31-14 01-01-15 to 12-31-16
Director of Public Works	Kenneth Alexander Jeremy Lollar	01-01-14 to 01-31-15 02-01-15 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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TO: THE OFFICIALS OF THE CITY OF WESTFIELD, HAMILTON COUNTY, INDIANA

This report is supplemental to our audit report of the City of Westfield (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 and Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

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

April 5, 2016

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CLERK-TREASURER
CITY OF WESTFIELD

CLERK-TREASURER
CITY OF WESTFIELD
FEDERAL FINDINGS

FINDING 2014-001 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The City did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The City did not have procedures in place to ensure the SEFA was reviewed for accuracy and completeness.

The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors:

- The Highway Planning and Construction Cluster (CFDA #20.205) expenditures were understated by \$309,594.
- The Homeland Security Grant Program (CFDA 97.067) with expenditures of \$6,326 was not included on the SEFA presented for audit.
- The presented names and project numbers for the Highway Planning and Construction (CFDA #20.205) and Disaster Grants - Public Assistance (Presidentially Declared Disasters (CFDA #97.036) grants were incorrect.

Audit adjustments were proposed, accepted by the City, and made to the SEFA.

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:

CLERK-TREASURER
CITY OF WESTFIELD
FEDERAL FINDINGS
(Continued)

- (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.
- (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 - PERIOD OF AVAILABILITY, PROCUREMENT
AND SUSPENSION AND DEBARMENT, AND REPORTING***

Federal Agency: Department of Transportation

Federal Program: Highway Planning and Construction

CFDA Number: 20.205

Federal Award Number and Year (or Other Identifying Number): DES 0900029, 0900273

Pass-Through Entity: Indiana Department of Transportation

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: Period of Availability, Procurement and Suspension and Debarment, and Reporting.

This is considered a material weakness as no internal control procedures have been established to ensure compliance with the above compliance requirements.

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.

CLERK-TREASURER
CITY OF WESTFIELD
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 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 controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

FINDING 2014-003 - REAL PROPERTY ACQUISITION

Federal Agency: Department of Transportation

Federal Program: Highway Planning and Construction

CFDA Number: 20.205

Federal Award Number and Year (or Other Identifying Number): DES 0900029, 0900273

Pass-Through Entity: Indiana Department of Transportation

Management of the City has not established an effective internal control system related to the grant agreement and the Real Property Acquisition compliance requirements. This is considered to be a material weakness which allowed the following noncompliance to occur.

The City personnel could not provide documentation of an appraisal review for the three properties tested from the population of five property acquisitions during our audit period which represents a 60 percent error rate.

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
CITY OF WESTFIELD
FEDERAL FINDINGS
(Continued)

49 CFR 24.104 states:

"The Agency shall have an appraisal review process and, at a minimum:

(a) A qualified review appraiser (see section 24.103(d)(1) and appendix A, section 24.104) shall examine the presentation and analysis of market information in all appraisals to assure that they meet the definition of appraisal found in 49 CFR 24.2(a)(3), appraisal requirements found in 49 CFR 24.103 and other applicable requirements, including, to the extent appropriate, the UASFLA, and support the appraiser's opinion of value. The level of review analysis depends on the complexity of the appraisal problem. As needed, the review appraiser shall, prior to acceptance, seek necessary corrections or revisions. The review appraiser shall identify each appraisal report as recommended (as the basis for the establishment of the amount believed to be just compensation), accepted (meets all requirements, but not selected as recommended or approved), or not accepted. If authorized by the Agency to do so, the staff review appraiser shall also approve the appraisal (as the basis for the establishment of the amount believed to be just compensation), and, if also authorized to do so, develop and report the amount believed to be just compensation. (See appendix A, section 24.104(a).)

(b) If the review appraiser is unable to recommend (or approve) an appraisal as an adequate basis for the establishment of the offer of just compensation, and it is determined by the acquiring Agency that it is not practical to obtain an additional appraisal, the review appraiser may, as part of the review, present and analyze market information in conformance with section 24.103 to support a recommended (or approved) value. (See appendix A, section 24.104(b).)

(c) The review appraiser shall prepare a written report that identifies the appraisal reports reviewed and documents the findings and conclusions arrived at during the review of the appraisal(s). Any damages or benefits to any remaining property shall be identified in the review appraiser's report. The review appraiser shall also prepare a signed certification that states the parameters of the review. The certification shall state the approved value, and, if the review appraiser is authorized to do so, the amount believed to be just compensation for the acquisition. (See appendix A, section 24.104(c).)"

The failure to establish internal controls enabled material noncompliance to go undetected. The City did not comply with the Real Acquisition compliance requirement. 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 controls, including segregation of duties, related to the grant agreement and compliance requirement listed above and establish procedures to ensure documentation of an appraisal review of property acquisitions is presented in the future.



March 24, 2016

Corrective Action Plan

Mayor
Andy Cook

Finding No. 2014-001: Schedule of Expenditures of Federal Awards

Auditee Contact Person: Cindy Gossard

City Council

Jim Ake
Steven Hoover
Robert L. Horkay
Chuck Lehman
Robert J. Smith
Cindy L. Spoljaric
Robert W. Stokes

Contact Person Title: Clerk-Treasurer

Contact Phone Number: 317-804-3026

Clerk Treasurer

Cindy J. Gossard

Description of Corrective Action Plan

We have implemented a new software to institute control procedures for each department for Grants. We believe this will ensure accurate reporting of all grants on the schedule and oversight to insure all grants have been included. We expect to have this implementation completed by December 2016.


Cindy Gossard

Clerk Treasurer

Clerk Treasurer's Office

(317) 804-3020 office
(317) 804-3024 fax

130 Penn Street
Westfield, IN 46074
westfield.in.gov



March 24, 2016

Corrective Action Plan

Finding No. 2014-002: Period of Availability; Procurement Suspension and Debarment; and Reporting

Auditee Contact Person: Cindy Gossard

Contact Person Title: Clerk-Treasurer

Contact Phone Number: 317-804-3026

Description of Corrective Action Plan

We have implemented a new software to institute control procedures for each Grant for each department. We are doing training on how to fully utilize this system. We will provide accounting assignments to each Grant to accurately track the receipts and disbursements. We expect to have this implementation completed by December 2016.

A handwritten signature in black ink that reads "Cindy Gossard".

Cindy Gossard

Clerk Treasurer

Clerk Treasurer's Office

(317) 804-3020 office
(317) 804-3024 fax

130 Penn Street
Westfield, IN 46074
westfield.in.gov



March 24, 2016

Corrective Action Plan

Mayor
Andy Cook

Finding No. 2014-003: Real Property Acquisition

Auditee Contact Person: Cindy Gossard

City Council

Jim Ake
Steven Hoover
Robert L. Horkay
Chuck Lehman
Robert J. Smith
Cindy L. Spoljaric
Robert W. Stokes

Contact Person Title: Clerk-Treasurer

Contact Phone Number: 317-804-3026

Description of Corrective Action Plan

Clerk Treasurer

Cindy J. Gossard

We will implement an appraisal review process to maintain internal controls and establish procedures to ensure documentation of an appraisal review of property acquisitions are presented. We will be doing training on how to fully understand this action plan. We expect to have this implementation completed by December 2016.

A handwritten signature in black ink that reads "Cindy Gossard".

Cindy Gossard

Clerk Treasurer

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CLERK-TREASURER
CITY OF WESTFIELD
AUDIT RESULT AND COMMENT

CONDITION OF RECORDS

Financial records presented for audit contained the following deficiencies:

1. Financial Statements:

The City's 2014 financial activity was filed with the State Examiner and submitted prior to the March 1, 2014 deadline as required. Subsequently, the City determined the information to be incorrect and refiled the City's updated 2014 financial activity on December 29, 2015. During the audit, it was determined that receipts were overstated by \$626,378 and disbursements were overstated by \$541,184 which overstated the ending fund balance by \$85,194. The adjustments were presented to the Clerk-Treasurer for approval and recognized in the financial statement presented in the Financial Statement and Federal Single Audit Report.

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

2. Bank Reconciliations:

Depository reconciliations of the fund balances to the bank account balances were conducted; however, some of the account reconciliations as of December 31, 2014, were not performed timely. Based on the documentation provided, the following items were noted:

- The Main account was not reconciled until May 14, 2015.
- The Infrastructure Improvements account was not reconciled until November 10, 2015.
- The Storm water and Trash account was not reconciled until December 16, 2015.

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."

3. Posting errors:

- 25 percent of the distributions received from the Indiana Auditor of State were posted to miscellaneous income instead of the proper receipt classifications, state and federal revenue.
- Two capital lease payments made from the General fund were posted to other services and charges instead of the debt service classification.

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

- Installation of light bar on a vehicle paid from the Motor Vehicle Highway fund was posted to debt service instead of the other services and charges or capital outlay classification.
- A duplicate payment was made in May 2014 on a capital lease which was not realized by the City until after June 2015.

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)

4. Transactions were recorded as "negative" receipts and disbursements as follows:

Interfund Activity:

- An interfund loan of \$25,000 from General fund to sports campus operating fund was posted as a negative receipt to the General fund. This transaction did not go through the disbursement approval process and was not presented for Council review as an appropriation item.
- A transfer of \$32,003 from the Grand Junction TIF fund to the General fund was posted as a negative receipt to the Grand Junction TIF fund therefore this transaction did not go through the disbursement approval process and was not presented for Council review as an appropriation item.
- Transfer of \$302,923 from the PSB Lease Rental fund to the Fire Operation fund was posted as a negative receipt to the PSB Lease Rental fund therefore this transaction did not go through the disbursement approval process and was not presented for Council review as an appropriation item.

Motor Vehicle Highway (MVH) fund receipts and disbursements were understated by \$54,896 due to the transfer in from FEMA Grant fund and its' related expenditures being deleted from the records for the MVH fund by posting a negative receipt against the reimbursement and a related negative disbursement against the related expenditures in the applicable appropriation.

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)



OFFICIAL RESPONSE
April 13, 2016

Mayor
Andy Cook

City Council
Jim Ake
Steven Hoover
Robert L. Horkay
Chuck Lehman
Robert J. Smith
Cindy L. Spoljaric
Robert W. Stokes

Clerk Treasurer
Cindy J. Gossard

Financial Statements

1. The City's Financial System was corrected prior to the conclusion of the audit.

Bank Reconciliations

2A. Per official response a new financial system was put into place in July 2014 and we were unable to produce viable reports in order to totally complete the bank reconciliation process. In 2015 the bank reconciliations were being done in a timely manner.

2B. At which time we informed by SBOA this process was required we implemented.

Posting Errors

3. With this new system we constantly strive to post appropriately. This misclassification of 3 postings/payments, on occasion we do experience human error. We will implement perhaps a new internal controls we fill will help this process.

Transactions recorded as "negative" receipts and disbursements

4A. Inter fund Activity:

The City had approved a resolution 14-137 authorizing the Clerk Treasurer to transfer funds as deemed necessary. Reports were given to the Council in regards to the transfers in the form of Fund Report, Appropriation report and Revenue reports. SBOA has taken exception with the wording and the documents presented to the Council. We have revised the wording to be more specific on required inter fund activity.

Clerk Treasurer's Office

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130 Penn Street
Westfield, IN 46074
westfield.in.gov

4B. We are looking into ways in our new financial system to make corrections to transactions that may not have been posted appropriately

A handwritten signature in cursive script, reading "Cindy Gossard". The signature is written in black ink and is positioned above a horizontal line.

Cindy Gossard
Clerk Treasurer
City of Westfield.

CLERK-TREASURER
CITY OF WESTFIELD
EXIT CONFERENCE

The contents of this report were discussed on April 5, 2016, with Cindy Gossard, Clerk-Treasurer, and Chuck Lehman, President Pro Tempore of the Common Council.

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POLICE DEPARTMENT
CITY OF WESTFIELD

POLICE DEPARTMENT
CITY OF WESTFIELD
AUDIT RESULT AND COMMENT

CONDITION OF RECORDS

Financial records presented for audit by the Police Department indicated the following deficiencies:

1. Duplicate Receipts

Some receipt numbers were used multiple times as the software system in use did not prevent this occurrence. When a receipt number was duplicated, the documentation attached to the original entry was replaced by the latest documentation and could not be recovered. The Police Department used 905 receipt numbers and 205 of those numbers were duplicated.

2. Collections Deposited Intact

Reports submitted with deposit slips did not indicate the form (check, cash, credit card, etc.) of the collections; therefore, we were not able to test that collections were deposited intact.

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)

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



OFFICIAL RESPONSE
April 13, 2016

Mayor
Andy Cook

City Council
Jim Ake
Steven Hoover
Robert L. Horkay
Chuck Lehman
Robert J. Smith
Cindy L. Spoljaric
Robert W. Stokes

Clerk Treasurer
Cindy J. Gossard

Duplicate Records

1. This has been remedied within the financial system to generate unique receipt numbers.

Intactness of Records

2. The Police Department has been made aware of this issue and corrected this practice.

A handwritten signature in cursive script that reads "Cindy Gossard".

Cindy Gossard
Clerk Treasurer
City of Westfield.

Clerk Treasurer's Office

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POLICE DEPARTMENT
CITY OF WESTFIELD
EXIT CONFERENCE

The contents of this report were discussed on April 5, 2016, with Joel Rush, Chief of Police; Cindy Gossard, Clerk-Treasurer; and Chuck Lehman, President Pro Tempore of the Common Council.