

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF GREENCASTLE

PUTNAM COUNTY, INDIANA

January 1, 2015 to December 31, 2015



**FILED**  
01/27/2017



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### SCHEDULE OF OFFICIALS

| <u>Office</u>                                       | <u>Official</u>                         | <u>Term</u>                                  |
|---|---|--|
| Clerk-Treasurer                                     | Lynda R. Dunbar                         | 01-01-12 to 12-31-19                         |
| Mayor   | Susan V. Murray<br>William A. Dory, Jr. | 01-01-12 to 12-31-15<br>01-01-16 to 12-31-19 |
| President of the Board of<br>Public Works           | Susan V. Murray<br>William A. Dory, Jr. | 01-01-15 to 12-31-15<br>01-01-16 to 12-31-19 |
| President Pro Tempore of the<br>Common Council      | Adam Cohen                              | 01-01-15 to 12-31-16                         |
| Utility Office Manager                              | Dorothy Wells                           | 01-01-15 to 12-31-16                         |
| Wastewater Utility Office Manager                   | Melanie Welker                          | 01-01-15 to 12-31-16                         |
| Trash Utility Office Manager                        | Lynda R. Dunbar                         | 01-01-15 to 12-31-16                         |
| Superintendent of Water and<br>Wastewater Utilities | Robert Lovell<br>(Vacant)               | 01-01-15 to 01-22-16<br>01-23-16 to 12-31-16 |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF GREENCASTLE, PUTNAM COUNTY, INDIANA

This report is supplemental to our audit report of the City of Greencastle (City), for the period from January 1, 2015 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings 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.

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

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

December 15, 2016

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CLERK-TREASURER  
CITY OF GREENCASTLE

CLERK-TREASURER  
CITY OF GREENCASTLE  
FEDERAL FINDINGS

**FINDING 2015-001 - INTERNAL CONTROLS AND COMPLIANCE  
OVER FINANCIAL TRANSACTIONS AND REPORTING**

*Condition*

There were several deficiencies in the internal control system of the City related to financial transactions and reporting.

Lack of Segregation of Duties: The City had not separated incompatible activities related to financial closing and reporting. During the audit of the financial statement, the following funds were omitted: BNY Mellon Water Construction, BNY Mellon Water Debt Serv Resv, and BNY Mellon Bond and Interest. See table below:

| Fund Name                       | Beg<br>Balance | Receipts     | Disbursements | End<br>Balance |
|---------------------------------|----------------|--------------|---------------|----------------|
| BNY Mellon Water Construction   | \$ -           | \$ 2,484,947 | \$ 2,484,947  | \$ -           |
| BNY Mellon Water Debt Serv Resv | 302,320        | 57,060       | -             | 359,380        |
| BNY Mellon Bond and Interest    | -              | 60,582       | 3,713         | 56,869         |

Audit adjustments were recommended and accepted by the Officials. The Financial Statement reflects these adjustments and resulted in a presentation of the Financial Statement that is materially correct.

Monitoring of Controls: The City had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the City to monitor and assess the quality of the system of internal control.

*Criteria*

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)

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."

CLERK-TREASURER  
CITY OF GREENCASTLE  
FEDERAL FINDINGS  
(Continued)

*Cause*

Management of the City had not established a proper system of internal control that would have ensured the proper reporting of the financial statement.

*Effect*

The failure to establish controls enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the City at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

*Views of Responsible Officials*

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

***FINDING 2015-002 - INTERNAL CONTROL OVER COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII***

Federal Agency: Department of Housing and Urban Development

Federal Program: Community Development Block Grants/State's  
program and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Numbers and Years (or Other Identifying Numbers): DR2SC-013-002, DR2SC-011-007

Pass-Through Entity: Indiana Housing and Community Development Authority

This is a repeat finding from the immediate prior year. The prior year finding number was 2014-001.

*Condition*

An effective internal control system was not in place at the City in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Procurement and Suspension and Debarment, and Special Tests and Provisions - Environmental Reviews, Citizen Participation, and Rehabilitation Using NSP Funds.

*Procurement and Suspension and Debarment (Applies to DRSC-013-002)*

The City entered into three contracts in the performance of this program. There was no evidence of a control, such as an oversight, review, or approval process by the City to ensure that contracts were not made with entities who were suspended or debarred.

*Special Tests and Provisions (Applies to DRSC-013-002 and DR2SC-011-007)*

Environmental Reviews, Citizen Participation, and Rehabilitation Using NSP Funds requirements were completed by the Grant Administrator. There was no evidence of a control, such as an oversight, review, or approval process by the City to ensure that all Special Tests and Provisions requirements were met.

CLERK-TREASURER  
CITY OF GREENCASTLE  
FEDERAL FINDINGS  
(Continued)

*Context*

The City hired a Grant Administrator to facilitate compliance with the grant. The City Attorney also had a high level of participation in the grant. There was no evidence of internal controls over compliance with the grant requirements listed above or the grant agreement. This was pervasive throughout the entire grant period.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

*Cause*

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

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

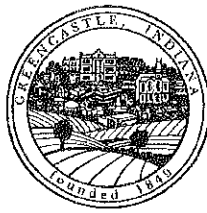
We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

*Views of Responsible Officials*

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

# City of Greencastle

City Hall  
One North Locust Street, P.O. Box 607  
Greencastle, Indiana 46135  
765-653-9211



## CORRECTIVE ACTION PLAN

### **FINDING 2015-001**

Contact Person Responsible for Corrective Action: Lynda Dunbar  
Contact Phone Number: 765-848-1510

We do not agree that the condition identified resulted from a lack of internal controls. It was due to a disagreement on interpretation of how to report receipts and disbursements related to the funds that maintain a zero balance. It should be noted that the funds cited have never had a balance as the receipts or disbursements as the City did not handle any cash.

Description of Corrective Action Plan:

We will update the annual report and financial records to State Board of Accounts specifications.

Anticipated Completion Date: Immediate

### **FINDING 2015-002**

Contact Person Responsible for Corrective Action: Lynda Dunbar  
Contact Phone Number: 765-848-1510

We disagree with the findings on Procurement and Suspension and Debarment Relating to Third Party Contracts.

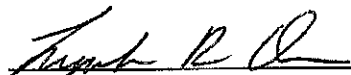
We concur with the Special Test and Provisions

Description of Corrective Action Plan:

**Procurement and Suspension and Debarment Relating to Third Party Contracts-** The City relied on the information provided by OCRA and IHEDA, the funding agencies, in determining the inclusion of contract provisions in its Grant Administration agreements. The City will ensure that the cited provisions are included in future agreements with OCRA Grants. The City is required to follow OCRA guidelines which the city has done. Laurie Hardwick, the City Attorney will also notify the applicable State agencies and inform them that the provision that they have provided to municipalities are incomplete and should be supplemented.

**Special Tests and Provisions:** Some special tests and provisions were reviewed and approved by our Redevelopment Committee. However we realized that some were not. Therefore, a better understanding of the process and requirements will be implemented to make sure compliance requirements are met.

Anticipated Completion Date: Immediate

  
\_\_\_\_\_  
(Signature)  
Clerk - Treasurer  
\_\_\_\_\_  
(Title)  
12-12-16  
\_\_\_\_\_  
(Date)

CLERK-TREASURER  
CITY OF GREENCASTLE  
EXIT CONFERENCE

The contents of this report were discussed on December 15, 2016, with William A. Dory, Jr., Mayor; Lynda R. Dunbar, Clerk-Treasurer; Laurie Hardwick, City Attorney; and Adam Cohen, President Pro Tempore of the Common Council.