

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF GREENFIELD

HANCOCK COUNTY, INDIANA

January 1, 2015 to December 31, 2015



FILED
05/19/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Larry J. Breese Lori Elmore	01-01-12 to 12-31-15 01-01-16 to 12-31-19
Mayor	Charles R. Fewell	12-30-13 to 12-31-19
President of the Board of Public Works and Safety	Charles R. Fewell	01-01-15 to 12-31-19
President Pro Tempore of the Common Council	Kerry T. Grass Gary A. McDaniel	01-01-15 to 12-31-15 01-01-16 to 12-31-17
Superintendent of Utilities	Michael Fruth	01-01-15 to 12-31-17
Superintendent of Water Utility	(Vacant) Charles Gill	01-01-15 to 02-01-15 02-02-15 to 12-31-17
Superintendent of Wastewater Utility	David Scheiter	01-01-15 to 12-31-17
Superintendent of Electric Utility	Nelson Castrodale	01-01-15 to 12-31-17
Superintendent of Storm Water Utility	Daniel Miller	01-01-15 to 12-31-17
Utility Office Manager	Judy Smoll Jane Webb	01-01-15 to 05-22-15 05-23-15 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE CITY OF GREENFIELD, HANCOCK COUNTY, INDIANA

This report is supplemental to our audit report of the City of Greenfield (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 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, were not verified for accuracy.

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

February 27, 2017

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CLERK-TREASURER
CITY OF GREENFIELD

CLERK-TREASURER
CITY OF GREENFIELD
FEDERAL FINDINGS

FINDING 2015-001 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition

The City 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). One person was solely responsible for preparing and submitting the SEFA without an oversight, review, or approval process to ensure its accuracy. During the audit of the SEFA, there were the following material errors:

Highway Planning and Construction and Equitable Sharing Program grant expenditures were omitted.

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

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

CLERK-TREASURER
CITY OF GREENFIELD
FEDERAL FINDINGS
(Continued)

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

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

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition*.

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 CONTROLS OVER CASH BALANCES

Condition

An effective internal control system was not in place at the City over cash balances. The City relied on one employee to reconcile the bank accounts with accounting records. There was no evidence of an oversight, review, or approval process to ensure that the bank accounts were reconciled accurately and timely.

CLERK-TREASURER
CITY OF GREENFIELD
FEDERAL FINDINGS
(Continued)

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Cause

Management of the City had not established a proper system of internal control over cash balances.

Effect

The failure to establish internal controls could have enabled material noncompliance to go undetected.

Views of Responsible Officials

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



Lori Elmore - Clerk-Treasurer
City of Greenfield
10 South State Street,
Greenfield, Indiana 46140-2364
(317) 477-4310

CORRECTIVE ACTION PLAN

FINDING 2015-001 –Schedule of Expenditures of Federal Awards

Contact Person Responsible for Corrective Action: Lori Elmore – Clerk-Treasurer
Contact Phone Number: 317-477-4310

Views of Responsible Official: The two grants were not listed on our AFR as they should have been.

Description of Corrective Action Plan: I will add these two adjustments to our 2015 AFR after they are unlocked. We will keep better records going forward on which grants are federally funded and should be included on our AFR each year.

Anticipated Completion Date: March 10th, 2017

A handwritten signature in black ink that reads "Lori Elmore".

Lori Elmore
Clerk –Treasurer
City of Greenfield



Lori Elmore - Clerk-Treasurer
City of Greenfield
10 South State Street,
Greenfield, Indiana 46140-2364
(317) 477-4310

CORRECTIVE ACTION PLAN

FINDING 2015-002 Internal Controls over Cash Balances

Contact Person Responsible for Corrective Action:
Contact Phone Number:

Lori Elmore – Clerk-Treasurer
317-477-4310

Views of Responsible Official: To the best of my knowledge, I believe the former Clerk-Treasurer reviewed the monthly cash reconciliations even though he did not sign off on each document as we do now.

Description of Corrective Action Plan: We have implemented an internal control measure where the Chief Deputy prepares the monthly cash reconciliations for each bank account and signs and dates. I then review those same reports and also sign and date them as a second set of eyes reviewing the records.

Anticipated Completion Date: This plan has been in effect since October 2016.

A handwritten signature in black ink that reads "Lori Elmore".

Lori Elmore
Clerk –Treasurer
City of Greenfield

CLERK-TREASURER
CITY OF GREENFIELD
AUDIT RESULTS AND COMMENTS

LOCAL DISTRIBUTION POSTING ERROR

The City's financial records contained a posting error related to local distributions. The 2014 November Wheel Tax distribution of \$25,496 was received by the City in January 2015 and incorrectly posted to the General Fund instead of to the MVH Street fund.

The adjustment was proposed, accepted by the City, and made in a subsequent period.

A similar comment appeared in the prior Report B47927.

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register for the Water and Electric Utilities did not reconcile with the customer deposit amounts recorded in the Fund Ledger. In both cases, the cash exceeded the total of customer deposits on record. The excess amounts for 2015 were \$369 in the Light Meter Deposit fund and \$72 in Water Meter Deposit fund.

A similar comment appeared in the prior Report B47927.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee.. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
CITY OF GREENFIELD
EXIT CONFERENCE

The contents of this report were discussed on February 27, 2017, with Lori Elmore, Clerk-Treasurer; Charles R. Fewell, Mayor; Gary A. McDaniel, President Pro Tempore of the Common Council; and Larry J. Breese, former Clerk-Treasurer.