

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, 2015 to December 31, 2015



FILED
08/16/2017

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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	Chuck Lehman Jim Ake	01-01-15 to 12-31-16 01-01-17 to 12-31-17
Director of Public Works	Kenneth Alexander Jeremy Lollar	01-01-14 to 01-31-15 02-01-15 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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, 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

June 27, 2017

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COMMON COUNCIL
CITY OF WESTFIELD

COMMON COUNCIL
CITY OF WESTFIELD
AUDIT RESULT AND COMMENT

IMPROPER SIGNEES ON ACCOUNT

A bank account maintained by the City only included the Mayor and Deputy Mayor as signees on the account. The Clerk-Treasurer, as the City's Fiscal Officer, was not a signee on the account and did not have access it.

Indiana Code 36-4-10-2(c) states in part: ". . . the city clerk-treasurer is the fiscal officer of each third class city."

Indiana Code 36-4-10-4.5(b) states in part:

"The fiscal officer is the head of the city department of finance. The fiscal officer shall do the following:

- (1) Receive and care for all city money and pay the money out only on order of the approving body.
- (2) Keep accounts showing when and from what sources the fiscal officer has received city money and when and to whom the fiscal officer has paid out city money. . . .
- (5) Manage the finances and accounts of the city and make investments of city money. . . ."



Mayor
Andy Cook

City Council
Jim Ake
Steven Hoover
Chuck Lehman
Robert L. Horkay
Chuck Lehman
Joe Edwards
Cindy L. Spoljaric
Mark Keen

Clerk Treasurer
Cindy J. Gossard

OFFICIAL RESPONSE
July 3, 2017

IMPROPER SIGNEES ON ACCOUNT

There is a better understanding within the Administration and the Council that the Clerk Treasurer is the Fiscal Officer and will manage the finances and accounts of the City as well as make investments of City money.

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

Cindy Gossard IAMC, CMC, CPFA, MMCA, CPM
Clerk Treasurer
City of Westfield

Clerk Treasurer's Office

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

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

COMMON COUNCIL
CITY OF WESTFIELD
EXIT CONFERENCE

The contents of this report were discussed on June 27, 2017, with Jim Ake, President Pro Tempore of the Common Council; Joe Edwards, Common Council member; Cindy Gossard, Clerk-Treasurer; Jeremy Lollar, Director of Public Works; and Todd Burtron, Chief of Staff.

CLERK-TREASURER
CITY OF WESTFIELD

CLERK-TREASURER
CITY OF WESTFIELD
FEDERAL FINDINGS

FINDING 2015-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material weakness, material noncompliance

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). The City did not have procedures in place to ensure the SEFA was reviewed for accuracy and completeness.

Due to the lack of controls, the following errors occurred on the SEFA:

1. The Cooperative Forestry Assistance expenditures of \$4,800 were omitted.
2. The program name and CFDA number for the Alcohol Impaired Driving Countermeasures Incentive Grants I were incorrect.
3. The Homeland Security Grant Program expenditures of \$2,736 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 section 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. . . ."

CLERK-TREASURER
CITY OF WESTFIELD
FEDERAL FINDINGS
(Continued)

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:

- (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 the 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

Because a proper system of internal control was not in place, material misstatements of the SEFA remained undetected.

Views of Responsible Officials

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

CLERK-TREASURER
CITY OF WESTFIELD
FEDERAL FINDINGS
(Continued)

FINDING 2015-002

Subject: Internal Control over Highway Planning and Construction
Federal Agency: Department of Transportation
Federal Program: Highway Planning and Construction
CFDA Number: 20.205
Federal Award Numbers and Years (or Other Identifying Numbers): DES 0900029, DES 0900273,
DES 1173079, DES 1173100,
DES 1173193, DES 1173468,
DES 1400864

Pass-Through Entity: Indiana Department of Transportation
Compliance Requirements: Cash Management; Period of Performance;
Matching, Level of Effort, Earmarking
Audit finding: Material weakness

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: Cash Management; Period of Performance; and Matching, Level of Effort, Earmarking.

Monitoring procedures were not in place at the City to ensure compliance with requirements related to the grant agreement. The City did not have proper segregation of duties for all compliance requirements listed above, as the LPA reimbursement requests were being prepared and approved by the same individual.

Context

The lack of controls was a systemic problem during the period audited and affected all of the compliance requirements listed above.

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

CLERK-TREASURER
CITY OF WESTFIELD
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls to ensure compliance with the compliance requirements listed above.

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 the 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 the 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.

FINDING 2015-003

Subject: Highway Planning and Construction - Equipment and Real Property Management

Federal Agency: Department of Transportation

Federal Program: Highway Planning and Construction

CFDA Number: 20.205

Federal Award Numbers and Years (or Other Identifying Numbers): DES 0900029, DES 0900273,
DES 1173079, DES 1173100,
DES 1173193, DES 1173468,
DES 1400864

Pass-Through Entity: Indiana Department of Transportation

Compliance Requirement: Equipment and Real Property Management

Audit findings: Material weakness, qualified opinion

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 requirement: Equipment and Real Property Management.

The City's Department of Public Works did not track property purchased with the grant award. A capital asset record was presented for audit by the Clerk-Treasurer. However, there were no in-progress projects or completed projects related to the grant award included on the presented capital asset record. No other property records with the required information were provided.

CLERK-TREASURER
CITY OF WESTFIELD
FEDERAL FINDINGS
(Continued)

Context

The lack of controls and noncompliance was a systemic problem during the period audited.

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

49 CFR 18.32(d) states in part:

"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. . . ."

2 CFR 200.313(d) states in part:

"Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, 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 funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, 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
CITY OF WESTFIELD
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls to ensure compliance with the Equipment and Real Property Management compliance requirement.

Effect

The failure to establish an effective internal control system allowed noncompliance with the grant agreement and the Equipment and Real Property Management compliance requirement to occur.

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 the compliance requirement listed above. We also recommended that the City maintain proper records of equipment and real property obtained with grant funds.

Views of Responsible Officials

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



March 29, 2017

Mayor
Andy Cook

City Council
Jim Ake
Steven Hoover
Chuck Lehman
Robert L. Horkay
Chuck Lehman
Joe Edwards
Cindy L. Spoljaric
Mark Keen

Clerk Treasurer
Cindy J. Gossard

CORRECTIVE ACTION PLAN

Finding 2015-001

Contact Person: Cindy Gossard, Clerk Treasurer

Contact Phone Number: 317-804-3026

View of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Implementing our Internal Controls should eliminate errors with the handling of City Grants.

Anticipated Completion Date: December 31, 2016

Clerk Treasurer's Office

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

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



March 29, 2017

Mayor
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Chuck Lehman
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Mark Keen

Clerk Treasurer
Cindy J. Gossard

CORRECTIVE ACTION PLAN

Finding 2015-002

Contact Person: Cindy Gossard, Clerk Treasurer

Contact Phone Number: 317-804-3026

View of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Implementing our Internal Controls should eliminate errors with the handling of City Grants.

Anticipated Completion Date: December 31, 2016

Clerk Treasurer's Office

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March 29, 2017

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Chuck Lehman
Joe Edwards
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Mark Keen

Clerk Treasurer
Cindy J. Gossard

CORRECTIVE ACTION PLAN

Finding 2015-003

Contact Person: Cindy Gossard, Clerk Treasurer

Contact Phone Number: 317-804-3026

View of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Implementing our Internal Controls should eliminate errors with the handling of City Grants.

Anticipated Completion Date: December 31, 2016

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CLERK-TREASURER
CITY OF WESTFIELD
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCE

The cash balance of the following fund was overdrawn at December 31, 2015:

<u>Fund</u>	<u>Amount</u>
Sports Campus Operating	\$ 73,671

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 1)



OFFICIAL RESPONSE
July 3, 2017

Mayor
Andy Cook

City Council
Jim Ake
Steven Hoover
Chuck Lehman
Robert L. Horkay
Chuck Lehman
Joe Edwards
Cindy L. Spoljaric
Mark Keen

Clerk Treasurer
Cindy J. Gossard

CLERK TREASURER

The overdrawn cash balance of our Sports Campus Operating fund was a timing issue error of the revenues and the dates of payments. The Clerk Treasurer was able to verify at the time of our audit.

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

Cindy Gossard (AMC, CMC, CPFA, MMCA, CPM)
Clerk Treasurer
City of Westfield

Clerk Treasurer's Office

(317) 804-3020 office
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CLERK-TREASURER
CITY OF WESTFIELD
EXIT CONFERENCE

The contents of this report were discussed on June 27, 2017, with Jim Ake, President Pro Tempore of the Common Council; Joe Edwards, Common Council member; Cindy Gossard, Clerk-Treasurer; Jeremy Lollar, Director of Public Works; and Todd Burtron, Chief of Staff.

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POLICE DEPARTMENT
CITY OF WESTFIELD

POLICE DEPARTMENT
CITY OF WESTFIELD
AUDIT RESULT AND COMMENT

CONDITION OF RECORDS

The Police Department collected monies for various fees, etc. and issued receipts. However, the department's computerized software system did not have sufficient controls to prevent receipt numbers from being used multiple times, and as such receipt numbers were used more than once. When a receipt number was duplicated, the documentation attached to the original entry was replaced by the latest documentation and could not be recovered.

A similar comment appeared in prior Report B46426.

Many computer software programs can create exact replicas of prescribed forms. Exact replica may be used as a prescribed form. If it is desirable to use a form other than a prescribed form that is not an exact replica, the new form must be approved. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

The unit agrees to comply with the following conditions, if applicable, for any new forms installed:

...

2. Any receipts, checks, purchase orders, or other forms that require numbering shall be either prenumbered by an outside printing supplier or numbered by the unit's computer system with sufficient controls installed in the system to prevent unauthorized generation of the form or duplication of numbers.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Input controls are designed to provide reasonable assurance that data received or computer processing is appropriately authorized and converted into a machine-sensible form and that data is not lost, suppressed, added, duplicated, or improperly changed. Computerized input controls include data checks and validation procedures such as check digits, record counts, hatch totals, and batch financial tools, while computerized edit routines - which are designed to detect data errors - include valid character tests, missing data tests, sequence tests, and limit or reasonableness tests. Domains of input controls include:

- 1) Data checks and validation.
- 2) Automated authorization, approval, and override.
- 3) Automated segregation of duties and access rights.
- 4) Pended items.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Political Subdivisions - Information Technology, page 10)



OFFICIAL RESPONSE
July 3, 2017

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Mark Keen

Clerk Treasurer
Cindy J. Gossard

Duplicate Records

This issue remedied within the financial system to generate unique receipt numbers after Audit report B46426.

A handwritten signature in cursive script, appearing to read "Cindy", is written in black ink.

Cindy Gossard IAMC, CMC, CPFA, MMCA, CPM
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 June 27, 2017, with Jim Ake, President Pro Tempore of the Common Council; Joe Edwards, Common Council member; Cindy Gossard, Clerk-Treasurer; Jeremy Lollar, Director of Public Works; Todd Burtron, Chief of Staff; and Joel Rush, Chief of Police.