

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF RICHMOND

WAYNE COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
09/29/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Tammy S. Glenn	01-01-14 to 03-10-14
	(Vacant)	03-11-14 to 03-17-14
	Paula Hill	03-18-14 to 03-08-15
	Sandra Spencer (interim)	03-09-15 to 12-31-16
	Beth Fields	01-01-17 to 12-31-17
Mayor	Sarah L. Hutton	01-01-12 to 12-31-15
	Dave Snow	01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Vicki Robinson	01-01-14 to 12-31-17
President of the Common Council	J. Clayton Miller	01-01-14 to 12-31-14
	Ron Oler	01-01-15 to 12-31-15
	Bruce Wissel	01-01-16 to 12-31-16
	Misty Hollis	01-01-17 to 12-31-17
President of the Board of Sanitary Commissioners	Suzanne Miller	01-01-14 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF RICHMOND, WAYNE COUNTY, INDIANA

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

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

September 21, 2017

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CITY CONTROLLER
CITY OF RICHMOND

CITY CONTROLLER
CITY OF RICHMOND
FEDERAL FINDINGS

**FINDING 2014-001 - PREPARATION OF THE 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). The City used an outside consultant to prepare the Annual Financial Report. There were no controls in place, such as an oversight, review, or approval process of the information that was entered into the Indiana Gateway for Government Units financial (Gateway) system by the consultant. The City's SEFA was compiled using the information submitted into Gateway.

Due to the lack of controls, the SEFA contained the following errors: There were 10 grants that incorrectly reported federal expenditures, including Economic Adjustment Assistance, Highway Planning and Construction, Capitalization Grants for Clean Water State Revolving Funds, and Brownfield Assessment and Cleanup Cooperative Agreements, each of which had reporting errors in excess of \$100,000. The total amount underreported on the SEFA was \$3,487,807. 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. . . ."

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 § _____.310. . . ."

CITY CONTROLLER
CITY OF RICHMOND
FEDERAL FINDINGS
(Continued)

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.
- (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."

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.

CITY CONTROLLER
CITY OF RICHMOND
FEDERAL FINDINGS
(Continued)

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

Condition

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

1. Lack of Segregation of Duties: The City had not separated incompatible activities related to cash and investments, receipts, and payroll disbursements.

Cash and Investments: The City's bank reconciliations were prepared by an outside consultant. There were no controls in place such as an oversight, review, or approval process of the work performed by the consultant.

Receipts: The City did not have adequate procedures in place to segregate duties and ensure collections were properly posted to the records.

Payroll Disbursements: The Payroll Clerk was responsible for processing payroll. After March of 2014 there were no controls documented, such as an oversight, review, or approval process to ensure payroll disbursements were properly posted.

2. Monitoring of Financial Close and Reporting: The City used a financial consultant to close out their financial records for 2014. The consultant prepared the Annual Financial Report for the City. There was no documentation of an oversight, review, or approval process by the City over the consultant's work.

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 Financial Transactions and Reporting.

CITY CONTROLLER
CITY OF RICHMOND
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected.

Views of Responsible Officials

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



CITY OF RICHMOND

DEPARTMENT OF FINANCE & PURCHASING
50 NORTH FIFTH STREET, RICHMOND, INDIANA 47374
PHONE (765) 983-7200 FAX (765) 983-7212

DAVID M. SNOW
Mayor

BETH FIELDS
City Controller

CORRECTIVE ACTION PLAN

FINDING 2014-001 – PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

Contact Person: Beth Fields
Contact Number: 765.983.7211

View of Responsible Official:

While not in compliance for the period identified in Finding 2014-001 – Preparation of the Schedule of Expenditures of Federal Awards the Finance team has recognized the need for additional training and reinforcement of internal controls to ensure proper reporting of the SEFA.

Description of Corrective Action Plan:

We will implement an internal control procedure to provide oversight, review and approval of the City's SEFA to ensure accurate reporting of federal awards. The City will designate one individual in each department which receives federal funds to be responsible for providing all SEFA data to the Finance team. Data provided by the departments will be reviewed by the Deputy Controller and approved by the Controller prior to submission in Gateway.

Anticipated Completion Date: Completed

Signed Beth Fields
Title Controller
Date 9.20.17



CITY OF RICHMOND

DEPARTMENT OF FINANCE & PURCHASING
50 NORTH FIFTH STREET, RICHMOND, INDIANA 47374
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DAVID M. SNOW
Mayor

BETH FIELDS
City Controller

CORRECTIVE ACTION PLAN

FINDING 2014-002 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS

Contact Person: Beth Fields
Contact Number: 765.983.7211

View of Responsible Official:

While not in compliance for the period identified in Finding 2014-002 – Internal Controls over Financial Transactions the Finance team has recognized the need for additional documentation, training and reinforcement of internal controls.

Description of Corrective Action Plan:

1. Lack of Segregation of Duties:
 - a. Cash and Investments: We will implement an internal control procedure to provide oversight, review and approval of the City's bank reconciliations. The Deputy Controller will complete the bank reconciliation with assistance from financial consultant, if needed. Reconciliation will be reviewed and approved by Controller.
 - b. Receipts: We will implement an internal control procedure to create a receipt for each transaction when funds are received, making sure to indicate the method of payment on each receipt. The creation of the receipt is the responsibility of the Accounts Receivable Specialist. In the event that the Accounts Receivable Specialist is not available, the Payroll Specialist or Deputy Controller will create the receipt.
 - c. Payroll Disbursements: We will implement an internal control procedure to provide oversight, review and approval of payroll disbursements to ensure all entries are properly posted. The Deputy Controller will review all payroll disbursement reports to ensure all entries are posted to the proper fund and approve prior to the distribution of payroll. In the event that the Deputy Controller is not available, the Controller will review.
2. Monitoring of Financial Closeout and Reporting: We will implement an internal control procedure to provide oversight, review and approval of year end close out records prepared by consultants. The Deputy Controller will review all year end close out records prepared by consultants for accuracy and the Controller will review and approve prior to submission to Gateway.

Anticipated Completion Date: Completed

Signed Beth Gilds

Title Controller

Date 9.20.17

CITY CONTROLLER
CITY OF RICHMOND
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Beginning in May 2014, the City hired a consultant to perform bank reconciliations. Bank reconciliations were provided by the consultant; however, the December 31, 2014 reconciliation contained two erroneous reconciling items and did not contain enough detail or description for five additional reconciling items to be verified to source documentation or the ledgers.

A similar comment also appeared in prior Report B45393 entitled *BANK ACCOUNT RECONCILIATIONS*.

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."

INTERNAL CONTROLS OVER REPORTING

The City's financial statement was compiled using financial information entered into the Gateway Annual Financial Report (Gateway) submitted by the City. Gateway requires the submitted financial information to be on a cash basis. The City maintained its financial records on a different basis of accounting. There were no controls in place to provide a reconciliation of receipts and disbursements reported in Gateway to the transactions recorded in the City's financial records.

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. . . ."

OVERDRAWN CASH BALANCES

The Workers Comp Insur Fund and Off Street Parking fund were overdrawn at December 31, 2014, by \$305,658 and \$26,597, respectively.

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

CITY CONTROLLER
CITY OF RICHMOND
EXIT CONFERENCE

The contents of this report were discussed on September 19, 2017, with Tammy S. Glenn, former City Controller, and on September 21, 2017, with Beth Fields, City Controller; Dave Snow, Mayor; Misty Hollis, President of the Common Council; Vicki Robinson, President of the Board of Public Works and Safety; Suzanne Miller, President of the Board of Sanitary Commissioners; Jack Cruse, Director of Infrastructure and Development; Greg Stiens, Director of Public Works and Engineering; and Emily Palmer, Deputy City Controller.

PUBLIC WORKS AND ENGINEERING
CITY OF RICHMOND

PUBLIC WORKS AND ENGINEERING
CITY OF RICHMOND
FEDERAL FINDING

***FINDING 2014-003 - DAVIS-BACON ACT AND SPECIAL
TESTS AND PROVISIONS - REVENUE DIVERSION***

Federal Agency: Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Numbers and Years (or Other Identifying Number): 3-18-0071-015, 3-18-0071-016,
3-18-0071-017

Condition

An effective internal control system was not in place to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Davis-Bacon Act and Special Tests and Provisions - Revenue Diversion.

Davis-Bacon Act

The City hired a construction engineer who was responsible for monitoring compliance with Davis-Bacon Act requirements. There were no controls in place at the City, such as an oversight, review, or approval process to ensure that the construction engineer monitored compliance and that the City complied with Davis-Bacon Act requirements.

Special Tests and Provisions - Revenue Diversion

The City maintained separate revenue accounts on the City's Records within the Airport fund; however, there were no controls in place, such as an oversight, review, or approval process to ensure all revenues generated by the Airport were properly accounted for in the Airport fund.

Context1

The lack of controls was a systemic problem throughout the audit period.

PUBLIC WORKS AND ENGINEERING
CITY OF RICHMOND
FEDERAL FINDING
(Continued)

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 to ensure compliance with the Davis-Bacon Act and Special Tests and Provisions - Revenue Diversion requirements.

Effect

The failure to establish an effective internal control system placed the City at risk of noncompliance with the grant agreement and the Davis-Bacon Act and Special Tests and Provisions - Revenue Diversion compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management establish controls related to the grant agreement and the Davis-Bacon Act and Special Tests and Provisions - Revenue Diversion compliance requirements.

Views of Responsible Officials

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



CITY OF RICHMOND

DEPARTMENT OF INFRASTRUCTURE & DEVELOPMENT

50 NORTH FIFTH STREET - RICHMOND, IN 47374

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DAVID M. SNOW

Mayor

JACK W. CRUSE

Director

CORRECTIVE ACTION PLAN FINDING 2014-003

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-003 – DAVIS-BACON ACT AND SPECIAL TESTS AND PROVISIONS – REVENUE DIVERSION

Contact Person Responsible for Corrective Action:

Jack W. Cruse
Director, Department of Infrastructure
City of Richmond
email: jcruse@richmondindiana.gov

Contact Phone Number:

Office: (765) 983-7584
Cell: (765) 960-6590

Views of Responsible Official:

The Department of Infrastructure & Development while not in compliance for the period identified in Finding 2014-003 – Davis-Bacon Act and Special Tests and Provisions – Revenue Diversion. Has recognized the need for training and reinforcement of internal control measures. It is the intent of the Department of Infrastructure & Development to establish effective internal controls and processes throughout I&D concept of operations; to include follow-up checks and balances.

Description of Corrective Action Plan:

1. Amend and/or establish internal controls the duties will be segregated to ensure compliance with requirements related to grant administration and agreement. This will include but is not limited to: Davis-Bacon Act and Special Tests and Provisions – Revenue Diversion.

This internal control measure applies to employees, consultants, contractors and construction technicians (engineers/architects). Additionally, the Department of Infrastructure and Development Community Development Specialist (Grant Administration/Writer) and Director will attend the

Office of Community & Rural Affairs (OCRA) Community Development Block Grant training to ensure compliance at all levels. Furthermore this will ensure 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. Amend and/or establish internal controls the duties will be segregated to ensure compliance with requirements related to grant administration and agreement. This will include but is not limited to: Special Tests and Provisions-Revenue Diversion

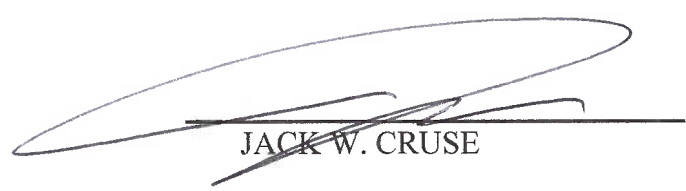
This internal control measure applies to separate revenue accounts within the Airport Fund. Hence, from this point forward the oversight, review, and approval process to ensure all revenues generated by the airport are properly accounted for in the Airport Fund will follow the established chain of approval. The Airfield Manager will coordinate revenue accounts for approval through the established chain of approval of the Division of Engineering & Public Works, to the Director of Infrastructure & Development, to the City of Richmond Controller, to the Office of the Mayor.

3. These established internal control measures will ensure the city is not at risk of noncompliance with the grant agreements and the compliance requirements. Additionally, these actions will mitigate and/or eliminate noncompliance with compliance requirements and potential misuse and mismanagement of federal funds and assets.

Anticipated Completion Date:

COMPLETED – The Department of Infrastructure & Development Director and Community Development Specialist (Grant Administrator/Writer) completed attendance of the Office of Community & Rural Affairs (OCRA) Community Development Block Grant training series 101, 201, 301, and 401 effective 15 Sep 2017 and will revalidate annual attendance in the 501 course.

COMPLETED – The Department of Infrastructure & Development Strategic Realignment set in line the correlation of chain of command and establishes the oversight, review, and approval process. Inherently the process of revenue accounts falls within the purview of the City of Richmond Controller with whom the Department will coordinate all revenue streams.



JACK W. CRUSE

Director, Department of I&D

20 SEP 2017

(Date)

PUBLIC WORKS AND ENGINEERING
CITY OF RICHMOND
EXIT CONFERENCE

The contents of this report were discussed on September 19, 2017, with Tammy S. Glenn, former City Controller, and on September 21, 2017, with Beth Fields, City Controller; Dave Snow, Mayor; Misty Hollis, President of the Common Council; Vicki Robinson, President of the Board of Public Works and Safety; Suzanne Miller, President of the Board of Sanitary Commissioners; Jack Cruse, Director of Infrastructure and Development; Greg Stiens, Director of Public Works and Engineering; and Emily Palmer, Deputy City Controller.

METROPOLITAN DEVELOPMENT
CITY OF RICHMOND

METROPOLITAN DEVELOPMENT
CITY OF RICHMOND
FEDERAL FINDINGS

FINDING 2014-004 - REPORTING

Federal Agency: Department of Commerce
Federal Program: Economic Adjustment Assistance
CFDA Number: 11.307
Federal Award Number and Year (or Other Identifying Number): 06-36-02088

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 Reporting compliance requirement.

The ED-209 reports prepared for the periods ending March 31, 2014, and September 30, 2014, incorrectly included principal repayments for the period as part of reported income. Reported income was overstated in the amounts of \$34,543 and \$70,223, respectively.

Context

The lack of controls was a systemic problem throughout the audit period. The errors occurred in both reports that had periods ending during the audit 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. . . ."

15 CFR 24.20(b) states in part: "(1) *Financial reporting*. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. . . ."

Cause

Management had not developed a system of internal controls to ensure compliance with Reporting requirements.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected, which could have resulted in the loss of federal funds to the City.

Questioned Costs

There were no questioned costs identified.

METROPOLITAN DEVELOPMENT
CITY OF RICHMOND
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the City's management establish controls related to the grant agreement and Reporting compliance requirement to ensure compliance with program requirements.

Views of Responsible Officials

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

**FINDING 2014-005 - SPECIAL TESTS AND PROVISIONS - INCREASES
TO RLF CAPITAL BASE AND CAPITAL UTILIZATION**

Federal Agency: Department of Commerce
Federal Program: Economic Adjustment Assistance
CFDA Number: 11.307
Federal Award Number and Year (or Other Identifying Number): 06-36-02088

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 Special Tests and Provisions - Increases to RLF Capital Base and Capital Utilization compliance requirement.

A review of the ED-209 Reports prepared for the periods ending March 31, 2014, and September 30, 2014, revealed that excess funds were on hand for two consecutive reporting periods and the excess funds had not been sequestered in a reasonable amount of time as required by the federal guidelines.

Context

The lack of controls was a systemic problem throughout the audit period. The excess funds occurred in both periods ending during the audit 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. . . ."

13 CFR 307.16(c) states in part:

"*Capital utilization standard.*

- (1) During the Revolving Phase, RLF Recipients must manage their repayment and lending schedules to provide that at all times at least seventy-five (75) percent of the RLF Capital is loaned or committed. The following exceptions apply:

METROPOLITAN DEVELOPMENT
CITY OF RICHMOND
FEDERAL FINDINGS
(Continued)

- (i) An RLF Recipient that anticipates making large loans relative to the size of its RLF Capital base may propose a Plan that provides for maintaining a capital utilization standard greater than twenty-five (25) percent; and
 - (ii) EDA may require an RLF Recipient with an RLF Capital base in excess of \$4 million to adopt a Plan that maintains a proportionately higher percentage of its funds loaned.
- (2) When the percentage of loaned RLF Capital falls below the capital utilization standard, the dollar amount of the RLF funds equivalent to the difference between the actual percentage of RLF Capital loaned and the capital utilization standard is referred to as 'excess funds.'
- (i) *Sequestration of excess funds.* If the RLF Recipient fails to satisfy the capital utilization standard for two (2) consecutive Reporting Periods, EDA may require the RLF Recipient to deposit excess funds in an interest-bearing account. The portion of interest earned on the account holding excess funds attributable to the Federal Share (as defined in § 314.5 of this chapter) of the RLF Grant shall be remitted to the U.S. Treasury. The RLF Recipient must obtain EDA's written authorization to withdraw any sequestered funds.
 - (ii) *Persistent non-compliance.* An RLF Recipient will generally be allowed a reasonable period of time to lend excess funds and achieve the capital utilization standard. However, if an RLF Recipient fails to achieve the capital utilization standard after a reasonable period of time, as determined by EDA, it may be subject to sanctions such as suspension or termination."

Cause

Management had not developed a system of internal controls to ensure compliance with the Special Tests and Provisions - Increases to RLF Capital Base and Capital Utilization compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected, which could have resulted in the loss of federal funds to the City.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management establish controls related to the grant agreement and Special Tests and Provisions - Increases to RLF Capital Base and Capital Utilization compliance requirement to ensure compliance with program requirements.

Views of Responsible Officials

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



CITY OF RICHMOND

DEPARTMENT OF INFRASTRUCTURE & DEVELOPMENT

50 NORTH FIFTH STREET - RICHMOND, IN 47374

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DAVID M. SNOW

Mayor

JACK W. CRUSE

Director

CORRECTIVE ACTION PLAN FINDING 2014-004

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-004 – REPORTING

Contact Person Responsible for Corrective Action:

Jack W. Cruse
Director, Department of Infrastructure
City of Richmond
email: jcruse@richmondindiana.gov

Contact Phone Number:

Office: (765) 983-7584
Cell: (765) 960-6590

Views of Responsible Official:

The Department of Infrastructure & Development while not in compliance for the period identified in Finding 2014-004 – Reporting. Has introduced several continuity processes focused on accountability and reinforcement of reporting and internal control measures. It is the intent of the Department of Infrastructure & Development to establish effective reporting, internal controls, and processes throughout I&D concept of operations; to include follow-up checks and balances.

Description of Corrective Action Plan:

1. Amend and/or establish internal controls the duties will be segregated to ensure compliance with requirements related to grant administration, reporting and agreement. This will include but is not limited to:
ED-209 reports prepared for the periods ending March 31, 2014 and September 30, 2014 reported principal repayments as income in the amounts of \$34,543 and \$70,223, respectively.

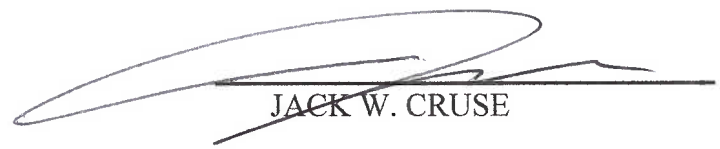
The Department of Infrastructure and Development has initiated a Report Tracker to coordinate and monitor departmental reports. This will ensure Reporting Procedures are accounted for and will be

monitored to include at a minimum reviewed by the City Controller and office of the Mayor for oversight will provide reasonable assurance that the Federal awards in compliance with laws, regulations.

2. These established internal control measures will ensure the Reporting of City functions are being managed effectively with the appropriate level of oversight. Additionally, the Reporting Tracker will mitigate and/or eliminate noncompliance with compliance requirements and potential misuse and mismanagement of federal funds and assets.

Anticipated Completion Date:

COMPLETED – The Department of Infrastructure & Development Director has already initiated actions to account for all departmental reporting actions Annual, Bi-Annual, Monthly and Weekly.



JACK W. CRUSE

Director, Department of I & D

20 SEP 2017

(Date)



CITY OF RICHMOND

DEPARTMENT OF INFRASTRUCTURE & DEVELOPMENT

50 NORTH FIFTH STREET - RICHMOND, IN 47374

PHONE (765) 983-7584 - FAX (765) 962-7024

DAVID M. SNOW

Mayor

JACK W. CRUSE

Director

CORRECTIVE ACTION PLAN FINDING 2014-005

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-005 – SPECIAL TESTS AND PROVISIONS – INCREASES TO RLF CAPITAL BASE AND CAPITAL UTILIZATION

Contact Person Responsible for Corrective Action:

Jack W. Cruse
Director, Department of Infrastructure
City of Richmond
email: jcruse@richmondindiana.gov

Contact Phone Number:

Office: (765) 983-7584
Cell: (765) 960-6590

Views of Responsible Official:

The Department of Infrastructure & Development while not in compliance for the period identified in Finding 2014-005 – Special Tests and Provisions – Increase to Revolving Loan Fund (RLF) Capital Base and Capital Utilization compliance. Is revamping the RLF process and accountability for cash on hand reporting and internal control measures. It is the intent of the Department of Infrastructure & Development to establish an effective RLF program internal controls, and processes for accounting for cash on hand; to include follow-up checks and balances.

Description of Corrective Action Plan:

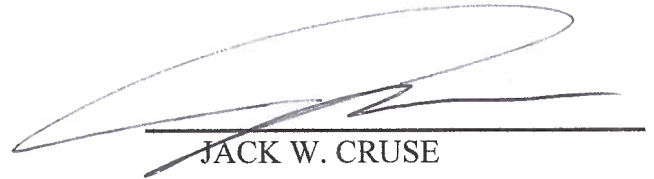
1. Amend and/or establish internal controls the duties will be segregated to ensure compliance in sequestering cash on hand as required during the identified reporting period. This will include but is not limited to:
ED-209 Reports prepared for the periods ending March 31, 2014 and September 30, 2014 revealed that excess cash was on hand for two consecutive reporting periods and funds have not been sequestered as required by the grant requirements.

The Department of Infrastructure and Development has initiated a Report Tracker to coordinate and monitor departmental reports. This will include accounting for the specific requirements such as “Sequestration of Funds” to ensure “Cash on Hand” is accounted for and will be monitored to include at a minimum reviewed by the City Controller and office of the Mayor for oversight will provide reasonable assurance that the Federal awards in compliance with laws, regulations.

2. These established internal control measures will ensure the Reporting of City functions are being managed effectively with the appropriate level of oversight. Additionally, the Reporting Tracker will mitigate and/or eliminate noncompliance with compliance requirements and potential misuse and mismanagement of federal funds and assets.

Anticipated Completion Date:

COMPLETED – The Department of Infrastructure & Development Director has already initiated actions to account for all departmental reporting actions Annual, Bi-Annual, Monthly and Weekly. This will include accounting for the “Sequestration of Funds” to ensure “Cash on Hand” is properly accounted for and will be monitored.



JACK W. CRUSE

Director, Department of I & D

20 SEP 2017

(Date)



CITY OF RICHMOND

DEPARTMENT OF INFRASTRUCTURE & DEVELOPMENT

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DAVID M. SNOW

Mayor

JACK W. CRUSE

Director

OFFICIAL RESPONSE 2014

Official Response 2014 Audit (Anthony Foster, Director of the Department of Infrastructure & Development prior to 2014 ending 31 of December 2015) Section III - Federal Award Findings and Questioned Costs

FINDING 2014-005 – SPECIAL TESTS AND PROVISIONS – INCREASES TO RLF CAPITAL BASE AND CAPITAL UTILIZATION

Contact Person Responsible for Corrective Action:

Jack W. Cruse
Director, Department of Infrastructure
City of Richmond
email: jcruse@richmondindiana.gov

Contact Phone Number:

Office: (765) 983-7584

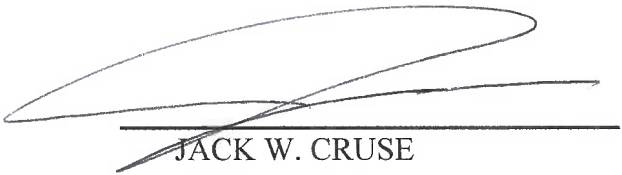
Cell: (765) 960-6590

Views of Responsible Official: NOTE the following comments are from the notes of the previous Director of Infrastructure and Development taken as quote from email response.

"The 2013 audit occurred in 2015. As a result, the issue identified in 2015 for the 2013 RLF activities (sequestration of funds into a separate account) could NOT be corrected for 2014. As a result, the city knew it would have the same audit finding for the 2014 audit due to the timing of the 2013 audit occurring in 2015.

After the audit report for 13' was received in 15', the issue was corrected.

In addition, this issue was never brought to the city's attention in previous audits. If the city had known it was an issue earlier, it would have corrected it."



JACK W. CRUSE

Director, Department of I & D

26 SEP 2017

(Date)

METROPOLITAN DEVELOPMENT
CITY OF RICHMOND
EXIT CONFERENCE

The contents of this report were discussed on September 19, 2017, with Tammy S. Glenn, former City Controller, and on September 21, 2017, with Beth Fields, City Controller; Dave Snow, Mayor; Misty Hollis, President of the Common Council; Vicki Robinson, President of the Board of Public Works and Safety; Suzanne Miller, President of the Board of Sanitary Commissioners; Jack Cruse, Director of Infrastructure and Development; Greg Stiens, Director of Public Works and Engineering; and Emily Palmer, Deputy City Controller.