

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF ANDERSON

MADISON COUNTY, INDIANA

January 1, 2016 to December 31, 2016



FILED
12/05/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Controller:	
Federal Findings:	
Finding 2016-001	
Preparation of the Schedule of Expenditures of Federal Awards	6-8
Finding 2016-002	
Financial Transactions and Reporting	8-9
Corrective Action Plan	10-11
Exit Conference	12
City of Anderson Transit System:	
Federal Findings:	
Finding 2016-003	
Federal Transit_Capital Investment Grants and Federal Transit_Formula	
Grants - Equipment and Real Property Management.....	14-15
Finding 2016-004	
Federal Transit_Capital Investment Grants and Federal Transit_Formula	
Grants - Reporting.....	16-17
Corrective Action Plan	18-19
Exit Conference	20
Anderson Fire Department:	
Federal Finding:	
Finding 2016-005	
Staffing for Adequate Fire and Emergency Response (SAFER) - Activities	
Allowed or Unallowed, Allowable Costs/Cost Principles,	
Cash Management, Period of Performance, and Reporting.....	22-23
Corrective Action Plan	24-25
Exit Conference	26

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	David Eicks (interim) Douglas A. Whitham	01-01-16 to 04-17-16 04-18-16 to 12-31-17
Mayor	Thomas J. Broderick, Jr.	01-01-16 to 12-31-19
President of the Board of Public Works	David Eicks	01-01-16 to 12-31-17
President of the Common Council	Antony Bibbs C. Gregory Graham	01-01-16 to 12-31-16 01-01-17 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 ANDERSON, MADISON COUNTY, INDIANA

This report is supplemental to our audit report of the City of Anderson (City), for the period from January 1, 2016 to December 31, 2016. 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/.

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

November 14, 2017

(This page intentionally left blank.)

CONTROLLER
CITY OF ANDERSON

CONTROLLER
CITY OF ANDERSON
FEDERAL FINDINGS

FINDING 2016-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Other Matters - Noncompliance

Repeat Finding

This is a repeat finding from the immediate prior year. The prior year finding number was 2015-001.

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). Although the City had procedures in place to provide for a review and approval of information reported on the SEFA, the controls were not effective.

Context

The following grants were incorrectly reported on the SEFA:

1. The Economic Adjustment Assistance (CFDA# 11.307) was understated by \$11,768.
2. The Community Development Block Grants (CFDA# 14.218) was understated by \$2,886.
3. The HOME Investment Partnerships Program (CFDA# 14.239) was overstated by \$2,887.
4. The Highway Planning and Construction (CFDA# 20.205) was overstated by \$68,710.
5. The Airport Improvement Program (CFDA# 20.106) was overstated by \$2,000.
6. The Community Development BEP Round 1 in the amount of \$192,699 was incorrectly included.
7. The Community Development BEP Round 2 in the amount of \$85,228 was incorrectly included.

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:

CONTROLLER
CITY OF ANDERSON
FEDERAL FINDINGS
(Continued)

"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:

- (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.

CONTROLLER
CITY OF ANDERSON
FEDERAL FINDINGS
(Continued)

- (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

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

Recommendation

We recommended that the City's management establish effective control procedures and ensure proper reporting of the SEFA.

Views of Responsible Officials

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

FINDING 2016-002

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediate prior year. The prior year finding number was 2015-002.

Condition

The City did not have a proper system of internal control in place to prevent, or detect and correct, errors in payroll disbursements. The City's procedures to ensure the accuracy of payroll disbursements included a review of the Payroll Detail Proof Report by each department head prior to payment of employees. Evidence of this control to allow determination of proper implementation of the control was not provided. The payroll amount approved by the board did not match the documentation provided by the City. Additionally, time cards were prepared each pay period for all hourly employees. After being prepared by the employees, the time cards were reviewed and approved by their supervisor. Paper time cards reviewed for the payrolls ending on May 1, 2016, October 2, 2016, and October 8, 2016, had departments in which timecards were not reviewed and signed by a supervisor.

Context

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

CONTROLLER
CITY OF ANDERSON
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 related to payroll disbursements.

Effect

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

Recommendation

We recommended that the City's management establish effective control procedures and ensure proper reporting of payroll disbursements.

Views of Responsible Officials

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



*City of Anderson
Controller's Office*
Douglas A. Whitham

120 E. 8th Street
Anderson, Indiana 46016
Office: (765) 648-6025 Fax: (765) 648-5902
www.cityofanderson.com

Thomas J. Broderick Jr., Mayor

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Douglas A. Whitham, City Controller
Contact Phone Number: 765-648-6034

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: For the 2017 fiscal year, the City has implemented a system of internal control designed to prevent, detect, and correct errors on the Schedule of Expenditures of Federal Awards (SEFA) to ensure the accurate reporting of federal awards. The system is effective for the 2017 reporting period and includes: communicating with departments to better ensure pertinent grant information is captured for reporting to ensure completeness; and, proper segregation of duties over the preparation and review of the SEFA to ensure completeness and accuracy.

Anticipated Completion Date: January 1, 2017

FINDING 2016-002

Contact Person Responsible for Corrective Action: Douglas A. Whitham, City Controller
Contact Phone Number: 765-648-6034

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: For the 2017 fiscal year, the City has implemented a system of internal control over payroll disbursements designed to prevent, detect, and correct errors. In April of 2017, the Controller's Office began requiring the individual departments to sign and return the final page of the Payroll Detail Proof Report evidencing the control is in place to ensure the accuracy of payroll disbursements. In October of 2017, the accounts payable voucher reports for the various boards were redesigned to properly include all payroll amounts evidencing approval. The Controller's Office is in the process of converting each department still utilizing paper time cards to an electronic reporting system, Kronos which includes the ability to document department head approval of time as reported.

Anticipated Completion Date: December 31, 2018

FINDING 2016-003

Contact Person Responsible for Corrective Action: Lori Sylvester, Long Range Planner
Contact Phone Number: 765-648-6171

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The City has retained a consultant to assist the transportation department in updating its internal controls and procedures, including those over equipment and real property management. It is expected the consultant will recommend and assist in the implementation of internal controls and procedures to properly account for equipment and real property acquired with federal funds; including those used to account for equipment and real property additions and disposals.

Anticipated Completion Date: December 31, 2017

FINDING 2016-004

Contact Person Responsible for Corrective Action: Lori Sylvester, Long Range Planner
Contact Phone Number: 765-648-6171

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The City has retained a consultant to assist the transportation department in updating its internal controls and procedures, including those over the reporting requirement. It is expected the consultant will recommend and assist in the implementation of internal controls and procedures to aid in the proper completion of required reports, including the detection and prevention of errors on such reports.

Anticipated Completion Date: December 31, 2017

FINDING 2016-005

Contact Person Responsible for Corrective Action: David Cravens, Fire Chief
Contact Phone Number: 765-648-6622

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Fire Department officials under the direction of the Fire Chief have developed a grants administration manual which has been approved by the Board of Public Safety and details procedures to be used in managing federal grant awards. The manual provides guidance related to activities allowed or unallowed, allowable costs/cost principles, cash management, period of performance, and reporting requirements, among other things.

Anticipated Completion Date: November 30, 2017

DSA. White
(Signature)

Controller
(Title)

November 14, 2017
(Date)

CONTROLLER
CITY OF ANDERSON
EXIT CONFERENCE

The contents of this report were discussed on November 14, 2017, with Thomas J. Broderick, Jr., Mayor; David Eicks, President of the Board of Public Works; C. Gregory Graham, President of the Common Council; Douglas A. Whitham, Controller; and Michelle Davis, Deputy Controller.

CITY OF ANDERSON TRANSIT SYSTEM
CITY OF ANDERSON

CITY OF ANDERSON TRANSIT SYSTEM
CITY OF ANDERSON
FEDERAL FINDINGS

FINDING 2016-003

Subject: Federal Transit_Capital Investment Grants and Federal Transit_Formula Grants - Equipment and Real Property Management
Federal Agency: Department of Transportation
Federal Programs: Federal Transit_Capital Investment Grants, Federal Transit_Formula Grants
CFDA Numbers: 20.500, 20.507
Federal Award Numbers and Years (or Other Identifying Numbers): IN-04-0036-00, IN-2016-007-00, IN-2016-010-00, IN-2016-011-00
Pass-Through Entity: Direct Grant
Compliance Requirement: Equipment and Real Property Management
Audit Findings: Material Weakness, Other Matters - Noncompliance

Repeat Finding

This is not a repeat finding from the immediate prior year.

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 Equipment and Real Property Management compliance requirement. The City had controls in place to oversee compliance with Equipment and Real Property Management requirements; however, the controls were not effective. The inventory list dated January, 1, 2017, did not agree to purchases made in 2016. Only two Nifty Lift Buses were noted on the inventory list. The list did not show eight Galaxy tablets that were purchased or the GIS Software purchased to install on all eight tablets.

Context

The noncompliance and ineffective controls were a systemic problem during the period audited.

Criteria

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). . . ."

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. . . ."

CITY OF ANDERSON TRANSIT SYSTEM
CITY OF ANDERSON
FEDERAL FINDINGS
(Continued)

49 CFR 18.32 states in part:

"(d) *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 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. . . ."

Cause

Management had not developed an effective system of internal controls to ensure that all requirements related to the Equipment and Real Property Management compliance requirement were met.

Effect

The failure to establish an effective internal control system resulted in the City's noncompliance with the grant agreement and the compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management establish controls and ensure compliance related to the grant agreement and the Equipment and Real Property Management compliance requirement.

Views of Responsible Officials

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

CITY OF ANDERSON TRANSIT SYSTEM
CITY OF ANDERSON
FEDERAL FINDINGS
(Continued)

FINDING 2016-004

Subject: Federal Transit_Capital Investment Grants and Federal Transit_Formula Grants - Reporting
Federal Agency: Department of Transportation
Federal Programs: Federal Transit_Capital Investment Grants, Federal Transit_Formula Grants
CFDA Numbers: 20.500, 20.507
Federal Award Numbers and Years (or Other Identifying Numbers): IN-04-0036-00, IN-2016-007-00,
IN-2016-010-00, IN-2016-011-00
Pass-Through Entity: Direct Grant
Compliance Requirement: Reporting
Audit Finding: Material Weakness

Repeat Finding

A similar finding was in the immediate prior year. The prior year finding number was 2015-004.

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. There was no evidence of a control procedure over the submitted Quarterly Narrative Reports to the Department of Transportation.

Context

The lack of controls 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). . . ."

CITY OF ANDERSON TRANSIT SYSTEM
CITY OF ANDERSON
FEDERAL FINDINGS

Cause

Management had not developed an effective system of internal controls to ensure that all requirements related to the Reporting compliance requirement were met.

Effect

The failure to establish an effective internal control system could have resulted in the City's non-compliance with the grant agreement and the Reporting compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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



*City of Anderson
Controller's Office*
Douglas A. Whitham

120 E. 8th Street
Anderson, Indiana 46016
Office: (765) 648-6025 Fax: (765) 648-5902
www.cityofanderson.com

Thomas J. Broderick Jr., Mayor

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Douglas A. Whitham, City Controller
Contact Phone Number: 765-648-6034

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: For the 2017 fiscal year, the City has implemented a system of internal control designed to prevent, detect, and correct errors on the Schedule of Expenditures of Federal Awards (SEFA) to ensure the accurate reporting of federal awards. The system is effective for the 2017 reporting period and includes: communicating with departments to better ensure pertinent grant information is captured for reporting to ensure completeness; and, proper segregation of duties over the preparation and review of the SEFA to ensure completeness and accuracy.

Anticipated Completion Date: January 1, 2017

FINDING 2016-002

Contact Person Responsible for Corrective Action: Douglas A. Whitham, City Controller
Contact Phone Number: 765-648-6034

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: For the 2017 fiscal year, the City has implemented a system of internal control over payroll disbursements designed to prevent, detect, and correct errors. In April of 2017, the Controller's Office began requiring the individual departments to sign and return the final page of the Payroll Detail Proof Report evidencing the control is in place to ensure the accuracy of payroll disbursements. In October of 2017, the accounts payable voucher reports for the various boards were redesigned to properly include all payroll amounts evidencing approval. The Controller's Office is in the process of converting each department still utilizing paper time cards to an electronic reporting system, Kronos which includes the ability to document department head approval of time as reported.

Anticipated Completion Date: December 31, 2018

FINDING 2016-003

Contact Person Responsible for Corrective Action: Lori Sylvester, Long Range Planner
Contact Phone Number: 765-648-6171

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The City has retained a consultant to assist the transportation department in updating its internal controls and procedures, including those over equipment and real property management. It is expected the consultant will recommend and assist in the implementation of internal controls and procedures to properly account for equipment and real property acquired with federal funds; including those used to account for equipment and real property additions and disposals.

Anticipated Completion Date: December 31, 2017

FINDING 2016-004

Contact Person Responsible for Corrective Action: Lori Sylvester, Long Range Planner
Contact Phone Number: 765-648-6171

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The City has retained a consultant to assist the transportation department in updating its internal controls and procedures, including those over the reporting requirement. It is expected the consultant will recommend and assist in the implementation of internal controls and procedures to aid in the proper completion of required reports, including the detection and prevention of errors on such reports.

Anticipated Completion Date: December 31, 2017

FINDING 2016-005

Contact Person Responsible for Corrective Action: David Cravens, Fire Chief
Contact Phone Number: 765-648-6622

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Fire Department officials under the direction of the Fire Chief have developed a grants administration manual which has been approved by the Board of Public Safety and details procedures to be used in managing federal grant awards. The manual provides guidance related to activities allowed or unallowed, allowable costs/cost principles, cash management, period of performance, and reporting requirements, among other things.

Anticipated Completion Date: November 30, 2017

DSA. White
(Signature)

Controller
(Title)

November 14, 2017
(Date)

CITY OF ANDERSON TRANSIT SYSTEM
CITY OF ANDERSON
EXIT CONFERENCE

The contents of this report were discussed on November 14, 2017, with Thomas J. Broderick, Jr., Mayor; David Eicks, President of the Board of Public Works; C. Gregory Graham, President of the Common Council; Douglas A. Whitham, Controller; Michelle Davis, Deputy Controller; and Charles Martindale, City of Anderson Transit System Consultant.

ANDERSON FIRE DEPARTMENT
CITY OF ANDERSON

ANDERSON FIRE DEPARTMENT
CITY OF ANDERSON
FEDERAL FINDINGS

FINDING 2016-005

Subject: Staffing for Adequate Fire and Emergency Response (SAFER) - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Performance, and Reporting
Federal Agency: Department of Homeland Security
Federal Program: Staffing for Adequate Fire and Emergency Response (SAFER)
CFDA Number: 97.083
Federal Award Number and Year (or Other Identifying Number): EMW-2013-FH-00810
Pass-Through Entity: Direct Grant
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Performance, Reporting
Audit Finding: Material Weakness

Repeat Finding

Similar findings were in the immediate prior year. The prior year finding numbers were 2015-006 and 2015-007.

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: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Performance, and Reporting. One individual was responsible for preparing and submitting the reimbursement requests. There was no control procedure in place to ensure that amounts requested to be reimbursed were for allowable activities or allowable costs, were paid prior to requesting reimbursement, and were incurred within the period of performance. Additionally, there was no control procedure in place to ensure that reports were submitted timely and accurately.

Context

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

ANDERSON FIRE DEPARTMENT
CITY OF ANDERSON
FEDERAL FINDINGS
(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 an effective system of internal controls to ensure that all requirements related to the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Performance, and Reporting compliance requirements were met.

Effect

The failure to establish an effective internal control system could have resulted in the City's non-compliance with the grant agreement and the compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management establish controls and ensure compliance related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Performance, and Reporting 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 Anderson
Controller's Office*
Douglas A. Whitham

120 E. 8th Street
Anderson, Indiana 46016
Office: (765) 648-6025 Fax: (765) 648-5902
www.cityofanderson.com

Thomas J. Broderick Jr., Mayor

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Douglas A. Whitham, City Controller
Contact Phone Number: 765-648-6034

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: For the 2017 fiscal year, the City has implemented a system of internal control designed to prevent, detect, and correct errors on the Schedule of Expenditures of Federal Awards (SEFA) to ensure the accurate reporting of federal awards. The system is effective for the 2017 reporting period and includes: communicating with departments to better ensure pertinent grant information is captured for reporting to ensure completeness; and, proper segregation of duties over the preparation and review of the SEFA to ensure completeness and accuracy.

Anticipated Completion Date: January 1, 2017

FINDING 2016-002

Contact Person Responsible for Corrective Action: Douglas A. Whitham, City Controller
Contact Phone Number: 765-648-6034

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: For the 2017 fiscal year, the City has implemented a system of internal control over payroll disbursements designed to prevent, detect, and correct errors. In April of 2017, the Controller's Office began requiring the individual departments to sign and return the final page of the Payroll Detail Proof Report evidencing the control is in place to ensure the accuracy of payroll disbursements. In October of 2017, the accounts payable voucher reports for the various boards were redesigned to properly include all payroll amounts evidencing approval. The Controller's Office is in the process of converting each department still utilizing paper time cards to an electronic reporting system, Kronos which includes the ability to document department head approval of time as reported.

Anticipated Completion Date: December 31, 2018

FINDING 2016-003

Contact Person Responsible for Corrective Action: Lori Sylvester, Long Range Planner
Contact Phone Number: 765-648-6171

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The City has retained a consultant to assist the transportation department in updating its internal controls and procedures, including those over equipment and real property management. It is expected the consultant will recommend and assist in the implementation of internal controls and procedures to properly account for equipment and real property acquired with federal funds; including those used to account for equipment and real property additions and disposals.

Anticipated Completion Date: December 31, 2017

FINDING 2016-004

Contact Person Responsible for Corrective Action: Lori Sylvester, Long Range Planner
Contact Phone Number: 765-648-6171

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The City has retained a consultant to assist the transportation department in updating its internal controls and procedures, including those over the reporting requirement. It is expected the consultant will recommend and assist in the implementation of internal controls and procedures to aid in the proper completion of required reports, including the detection and prevention of errors on such reports.

Anticipated Completion Date: December 31, 2017

FINDING 2016-005

Contact Person Responsible for Corrective Action: David Cravens, Fire Chief
Contact Phone Number: 765-648-6622

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Fire Department officials under the direction of the Fire Chief have developed a grants administration manual which has been approved by the Board of Public Safety and details procedures to be used in managing federal grant awards. The manual provides guidance related to activities allowed or unallowed, allowable costs/cost principles, cash management, period of performance, and reporting requirements, among other things.

Anticipated Completion Date: November 30, 2017

DSA. White
(Signature)

Controller
(Title)

November 14, 2017
(Date)

ANDERSON FIRE DEPARTMENT
CITY OF ANDERSON
EXIT CONFERENCE

The contents of this report were discussed on November 14, 2017, with Thomas J. Broderick, Jr., Mayor; David Eicks, President of the Board of Public Works; C. Gregory Graham, President of the Common Council; Douglas A. Whitham, Controller; Michelle Davis, Deputy Controller; and Dave Cravens, Fire Chief.