

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, 2016 to December 31, 2016



FILED
02/22/2018

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	
Internal Controls over Financial Transactions	8-9
Corrective Action Plan	10-11
Audit Result and Comment:	
Bank Account Reconciliations	12
Exit Conference	13
Infrastructure and Development:	
Federal Findings:	
Finding 2016-003	
Economic Adjustment Assistance - Reporting	16-17
Finding 2016-004	
Economic Adjustment Assistance - Special Tests and Provisions - Increases to RLF Capital Base and Capital Utilization	17-18
Corrective Action Plan	19-22
Exit Conference	23
Public Works and Engineering:	
Federal Findings:	
Finding 2016-005	
Highway Planning and Construction - Cash Management and Matching	26-27
Corrective Action Plan	28
Exit Conference	29

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Sandra Spencer (interim) Beth Fields	03-09-15 to 12-31-16 01-01-17 to 12-31-18
Mayor	Dave Snow	01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Vicki Robinson	01-01-16 to 12-31-18
President of the Common Council	Bruce Wissel Misty Hollis Jamie Lopeman	01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18
President of the Board of Sanitary Commissioners	Suzanne Miller	01-01-16 to 12-31-18



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 RICHMOND, WAYNE COUNTY, INDIANA

This report is supplemental to our audit report of the City of Richmond (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 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 Result and Comment 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 Result and Comment contained herein describes the identified reportable instance 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 or Official Response to the Audit Result and Comment, incorporated within this report, were not verified for accuracy.

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

January 8, 2018

(This page intentionally left blank.)

CONTROLLER
CITY OF RICHMOND

CONTROLLER
CITY OF RICHMOND
FEDERAL FINDINGS

FINDING 2016-001

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

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit 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). The City used an outside consultant to prepare the Annual Financial Report for the City. There were not adequate controls in place, such as an oversight, review, or approval process, to ensure the accuracy of the information that was entered into the Indiana Gateway for government units financial system (Gateway) by the consultant. The City's SEFA was compiled using the information submitted into the Gateway.

Context

The lack of controls was a systemic problem throughout the audit period. Due to the lack of controls, the SEFA contained the following errors:

There were 15 grants that incorrectly reported federal expenditures, including Economic Adjustment Assistance, Formula Grants for Rural Areas, and Bus and Bus Facilities Formula Program grants, each of which had reporting errors in excess of \$100,000. The total amount over reported on the SEFA was \$806,128.

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. . . ."

CONTROLLER
CITY OF RICHMOND
FEDERAL FINDINGS
(Continued)

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.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

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

Effect

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

CONTROLLER
CITY OF RICHMOND
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the City's management establish controls, including segregation of duties, to prevent, or detect and correct, errors on 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: Internal Controls over Financial Transactions
Audit Finding: Material Weakness

Repeat Finding

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

Condition

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

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

Cash and Investments: The City's bank reconciliements 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.

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

2. Financial Statement: The City's financial statement, which included the Electric Utility, was compiled using financial information entered into the Indiana Gateway for government units financial system (Gateway) submitted by the City. The Gateway required the financial information to be submitted on a cash basis. The City maintained its financial records on a different basis of accounting. There were no controls in place to ensure the reconciliation of receipts and disbursements reported in the Gateway to the transactions recorded in the Electric Utility financial records was maintained.

Context

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

CONTROLLER
CITY OF RICHMOND
FEDERAL FINDINGS
(Continued)

Criteria

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

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

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

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

Cause

Management of the City had not established a proper system of internal control over financial transactions.

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 controls, including segregation of duties, over financial transactions and reporting.

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 2016-001

Contact Person: Beth Fields
Contact Number: 765.983.7211

View of Responsible Official:

While not in compliance for the period identified in Finding 2016-001 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 11.16.17



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 2016-002

Contact Person: Beth Fields
Contact Number: 765.983.7211

View of Responsible Official:

While not in compliance for the period identified in Finding 2016-002 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. 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. Financial Statement: We will implement an internal control procedure to provide oversight, review and approval of year-end financial statements prepared by consultants which include Richmond Power & Light information. The Deputy Controller will review all year-end reports prepared by consultants for accuracy and to ensure the reconciliation of receipts and disbursements. The Controller will review and approve prior to submission to Gateway.

Anticipated Completion Date: Completed

Signed Beth Fields

Title Controller

Date 11.14.17

CONTROLLER
CITY OF RICHMOND
AUDIT RESULT AND COMMENT

BANK ACCOUNT RECONCILIATIONS

A similar comment also appeared in prior Reports B45393, B48812, and B49158, entitled *BANK ACCOUNT RECONCILIATIONS*.

The City hired a consultant to perform bank reconcilements. Bank reconcilements were provided by the consultant; however, the December 31, 2016, reconciliation did not contain enough detail or description for nine reconciling items to be verified to source documentation or the ledgers. The net dollar amount of the reconciling items totaled \$72,995.

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."

CONTROLLER
CITY OF RICHMOND
EXIT CONFERENCE

The contents of this report were discussed on January 3, 2018, with Sandra Spencer, former Controller, and January 8, 2018, with Beth Fields, Controller; Dave Snow, Mayor; Jamie Lopeman, President of the Common Council; Vicki Robinson, President of the Board of Public Works and Safety; and Emily Palmer, Deputy Controller.

(This page intentionally left blank.)

INFRASTRUCTURE AND DEVELOPMENT
CITY OF RICHMOND

INFRASTRUCTURE AND DEVELOPMENT
CITY OF RICHMOND
FEDERAL FINDINGS

FINDING 2016-003

Subject: Economic Adjustment Assistance - 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
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2015-003.

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, 2016, and September 30, 2016, were incorrect. Reported income was overstated in the amounts of \$21,676 and \$26,291, 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

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). . . ."

2 CFR 200.302(b)(2) states in part: "Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

Cause

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

INFRASTRUCTURE AND DEVELOPMENT
CITY OF RICHMOND
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system enabled 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, including segregation of duties, 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 2016-004

Subject: Economic Adjustment Assistance - 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
Compliance Requirement: Special Tests and Provisions - Increases to RLF
Capital Base and Capital Utilization
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit 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 Special Tests and Provisions - Increases to RLF Capital Base and Capital Utilization compliance requirement.

The ED-209 reports were prepared and submitted by one employee, who was also responsible for monitoring compliance with the Special Tests and Provisions - Increases to RLF Capital Base and Capital Utilization compliance requirement. There were no control procedures in place, such as an oversight, review, or approval process, to ensure compliance with the Special Tests and Provisions - Increases to RLF Capital Base and Capital Utilization compliance requirement.

Context

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

INFRASTRUCTURE AND DEVELOPMENT
CITY OF RICHMOND
FEDERAL FINDINGS
(Continued)

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). . . ."

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 placed the City at risk of noncompliance with the grant agreement and the Special Tests and Provisions - Increases to RLF Capital Base and Capital Utilization compliance requirement.

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 Special Tests and Provisions - Increases to RLF Capital Base and Capital Utilization 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 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 2016-003

Section III - Federal Award Findings and Questioned Costs

FINDING 2016-003

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 2016-003 – 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, 2016 and September 30, 2016 were incorrect. Reported income was overstated in the amounts of \$21,676 and \$26,291, respectively

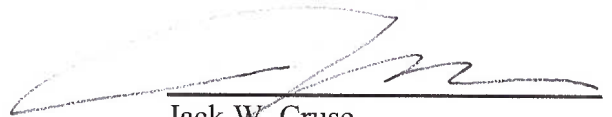
The Department of Infrastructure and Development has initiated a Report Tracker to coordinate and monitor departmental reports. This will ensure Reporting Procedures are accounted for and will be

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
26 Dec 2017



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 2016-004

Section III - Federal Award Findings and Questioned Costs

FINDING 2016-004

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 2016-004 – Special Tests and Provisions – Increase to Revolving Loan Fund (RLF) Capital Base and Capital Utilization compliance. Is revamping the RLF process and accountability to reduce the possibility of single point failure of one employee for 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; to include follow-up checks and balances established for oversight.

Description of Corrective Action Plan:

1. Amend and/or establish internal controls the duties will be segregated to ensure compliance with requirements related to the grant agreement and the Special Test and Provisions - Increases to RLF Capital Base and Capital Utilization compliance requirement. This will include but is not limited to: ED-209 Reports prepared and submitted by one employee, who is also responsible for monitoring compliance with the Special Tests and Provisions-Increases to RLF Capital Base and Capital Utilization requirements. There were no procedures in place, such as an oversight, review, or approval process to ensure compliance with the Special Tests and Provisions requirements.

The Department of Infrastructure and Development has initiated a Report Tracker to coordinate and monitor departmental reports. This will include ensuring that no single employee is the single point failure in compliance. The reports at a minimum will be 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
26 Dec 2017

INFRASTRUCTURE AND DEVELOPMENT
CITY OF RICHMOND
EXIT CONFERENCE

The contents of this report were discussed on January 8, 2018, with Jack Cruse, Director of Infrastructure and Development; Dave Snow, Mayor; Jamie Lopeman, President of the Common Council; and Vicki Robinson, President of the Board of Public Works and Safety.

(This page intentionally left blank.)

PUBLIC WORKS AND ENGINEERING
CITY OF RICHMOND

PUBLIC WORKS AND ENGINEERING
CITY OF RICHMOND
FEDERAL FINDING

FINDING 2016-005

Subject: Highway Planning and Construction - Cash Management and Matching
Federal Agency: Department of Transportation
Federal Program: Highway Planning and Construction
CFDA Number: 20.205
Federal Award Numbers and Years (or Other Identifying Numbers): 0800343, 0900114, 1173174
Pass-Through Entity: Indiana Department of Transportation
Compliance Requirements: Cash Management, Matching
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2015-005.

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 Cash Management and Matching compliance requirements.

The City was required to request reimbursement from Indiana Department of Transportation using the LPA Invoice - Voucher (voucher). The voucher listed the gross amount of the claims paid by the City and calculated the percentage of federal share that is reimbursable. The Director of Engineering prepared the vouchers and signed them. There were no procedures in place, such as an oversight, review, or approval process, to ensure the accuracy of the vouchers or to ensure that the City complied with the Cash Management and Matching compliance requirements.

Context

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

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

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). . . ."

Cause

Management had not developed a system of internal controls to ensure compliance with the Cash Management and Matching compliance requirements.

Effect

The failure to establish an effective internal control system placed the City at risk of noncompliance with the grant agreement and the Cash Management and Matching compliance requirements.

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 Cash Management and Matching 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

Division of Public Works and Engineering
50 NORTH 5th STREET – RICHMOND, IN 47374
PHONE (765) 983-7394 – FAX (765) 962-7024
www.richmondindiana.gov

DAVE SNOW
Mayor

GREG STIENS
Director

CORRECTIVE ACTION PLAN

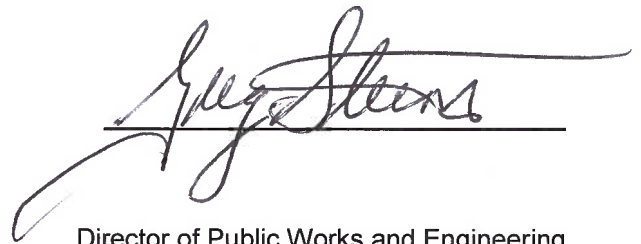
FINDING 2016-005

Contact Person Responsible for Corrective Action: Greg Stiens
Contact Phone Number: 765-983-7394

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The ERC will prepare the LPA Voucher Reimbursement Form. Prior to the ERC signing the Voucher a person assigned to the Department of Infrastructure and Development will review the Voucher for accuracy by utilizing the backup Invoice information. The Voucher will be initialed by the reviewer and the ERC will then sign the Voucher.

Anticipated Completion Date: November 25, 2017



Director of Public Works and Engineering

December 19, 2017

PUBLIC WORKS AND ENGINEERING
CITY OF RICHMOND
EXIT CONFERENCE

The contents of this report were discussed on January 8, 2018, with Greg Stiens, Director of Public Works and Engineering; Dave Snow, Mayor; Jamie Lopeman, President of the Common Council; and Vicki Robinson, President of the Board of Public Works and Safety.