

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, 2017 to December 31, 2017



FILED
09/17/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Douglas A. Whitham	01-01-17 to 12-31-18
Mayor	Thomas J. Broderick, Jr.	01-01-16 to 12-31-19
President of the Board of Public Works	David W. Eicks	01-01-17 to 12-31-18
President of the Common Council	C. Gregory Graham Joe Newman	01-01-17 to 12-31-17 01-01-18 to 12-31-18
Director of Community Development	Lelia Kelley	01-01-17 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2017 to December 31, 2017. 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

August 16, 2018

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CONTROLLER'S OFFICE
CITY OF ANDERSON

CONTROLLER'S OFFICE
CITY OF ANDERSON
FEDERAL FINDING

FINDING 2017-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-001.

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 had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the City's 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 as the SEFA was incomplete upon initial submission.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period.

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'S OFFICE
CITY OF ANDERSON
FEDERAL FINDING
(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. . . ."

Cause

Management had not established an effective 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 could have remained undetected.

Recommendation

We recommended that the City's management establish effective controls related to the preparation 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.



*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 2017-001

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

Views of Responsible Official: The responsible official deems the controls in place to be sufficient to detect and prevent material errors from being reported on the Schedule of Expenditures of Federal Awards (SEFA). The error in question was detected by the responsible official and corrected on the SEFA as approved for presentation in the audit report.

Description of Corrective Action Plan: For the 2017 fiscal year, the City 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 controls are expected to be effective for the 2018 fiscal year.

Anticipated Completion Date: Completed.

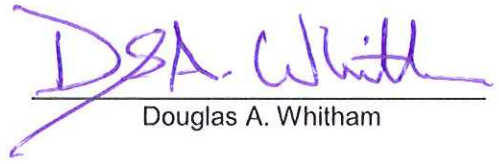
FINDING 2017-002

Contact Person Responsible for Corrective Action: Lelia Kelley, Director of Community Development
Contact Phone Number: 765 648-6096

Views of Responsible Official: The responsible official concurs with the finding that the Performance Report was not timely filed as required.

Description of Corrective Action Plan: For the 2018 fiscal year, the City, through the Community Development Department, reviewed its system of internal control and made adjustments where necessary to prevent, detect, and correct reporting errors related to its Community Development Block Grant (CDBG) program to ensure all reports are timely filed, including the CAPER and Performance Report.

Anticipated Completion Date: September 30, 2018


Douglas A. Whitham

City Controller

July 27, 2018

CONTROLLER'S OFFICE
CITY OF ANDERSON
EXIT CONFERENCE

The contents of this report were discussed on August 16, 2018, with Thomas J. Broderick, Jr., Mayor; David W. Eicks, President of the Board of Public Works; Joe Newman, President of the Common Council; Greg Graham, Common Council member; Rebecca Crumes, Common Council member; and Douglas A. Whitham, Controller.

COMMUNITY DEVELOPMENT DEPARTMENT
CITY OF ANDERSON

COMMUNITY DEVELOPMENT DEPARTMENT
CITY OF ANDERSON
FEDERAL FINDING

FINDING 2017-002

Subject: Community Development Block Grants/Entitlement Grants - Reporting
Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Federal Award Numbers and Years (or Other Identifying Numbers): B-14-MC-18-0001,
B-15-MC-18-0001,
B-16-MC-18-0001

Compliance Requirement: Reporting
Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system, which would include segregation of duties, was not in place at the City's Community Development Department in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

The City is required to file a Consolidated Annual Performance and Evaluation Report (CAPER) and a Performance Report, HUD 60002, by June 30 following the year of activity. The City's Community Development Department filed their 2016 CAPER by June 30, 2017. When a CAPER is required to be filed, a Performance Report, HUD 60002, is also required to be filed at the same time. The Performance Report, HUD 60002, for the 2016 program year was due to be filed by June 30, 2017, but was not filed.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout 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). . . ."

COMMUNITY DEVELOPMENT DEPARTMENT
CITY OF ANDERSON
FEDERAL FINDING
(Continued)

2 CFR 200.328(b)(1) states in part:

"The non-Federal entity must submit performance reports at the interval required by the Federal awarding agency or pass-through entity to best inform improvements in program outcomes and productivity. Intervals must be no less frequent than annually nor more frequent than quarterly except in unusual circumstances, for example where more frequent reporting is necessary for the effective monitoring of the Federal award or could significantly affect program outcomes. Annual reports must be due 90 calendar days after the reporting period; . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Reporting compliance requirement.

Effect

The failure to establish an effective internal control system, which would include segregation of duties, placed the City in noncompliance 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 to ensure compliance with 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

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www.cityofanderson.com

Thomas J. Broderick Jr., Mayor

CORRECTIVE ACTION PLAN

FINDING 2017-001

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Anticipated Completion Date: Completed.

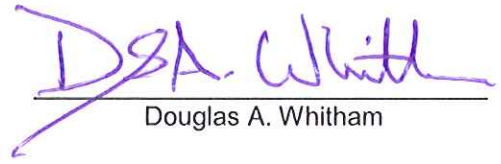
FINDING 2017-002

Contact Person Responsible for Corrective Action: Lelia Kelley, Director of Community Development
Contact Phone Number: 765 648-6096

Views of Responsible Official: The responsible official concurs with the finding that the Performance Report was not timely filed as required.

Description of Corrective Action Plan: For the 2018 fiscal year, the City, through the Community Development Department, reviewed its system of internal control and made adjustments where necessary to prevent, detect, and correct reporting errors related to its Community Development Block Grant (CDBG) program to ensure all reports are timely filed, including the CAPER and Performance Report.

Anticipated Completion Date: September 30, 2018


Douglas A. Whitham

City Controller

July 27, 2018

COMMUNITY DEVELOPMENT DEPARTMENT
CITY OF ANDERSON
EXIT CONFERENCE

The contents of this report were discussed on August 16, 2018, with Thomas J. Broderick, Jr., Mayor; David W. Eicks, President of the Board of Public Works; Joe Newman, President of the Common Council; Greg Graham, Common Council member; Rebecca Crumes, Common Council member; Lelia Kelley, Director of Community Development; and Douglas A. Whitham, Controller.

MAYOR'S OFFICE
CITY OF ANDERSON

MAYOR'S OFFICE
CITY OF ANDERSON
AUDIT RESULT AND COMMENT

CREDIT CARDS

We tested the accounts payable vouchers (APV) used to pay credit card statements for May, June, and October of 2017. Supporting documentation for purchases from the Mayor's office (receipts, invoices, travel forms outlined in the City's approved travel policy, etc.), totaling \$13,851 was not attached to the APV nor presented for audit. Subsequent to the audit period, we tested the APV for the April 2018 credit card payment and again found purchases from the Mayor's office did not have supporting documentation totaling \$5,647.

Due to the Mayor's office not submitting the required supporting documentation to the Controller's office, an override of internal controls, we could not verify the purpose of the disbursements.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)



City of Anderson
Mayor's Office

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Mayor, Thomas J. Broderick Jr.

August 24, 2018

Indiana State Board of Accounts
302 W. Washington Street, Suite E418
Indianapolis, IN 46204

Via email: ldavid@sbo.in.gov

Re: OFFICIAL RESPONSE by City regarding Audit Results and Comments relative to credit card purchases

Dear Ms. David

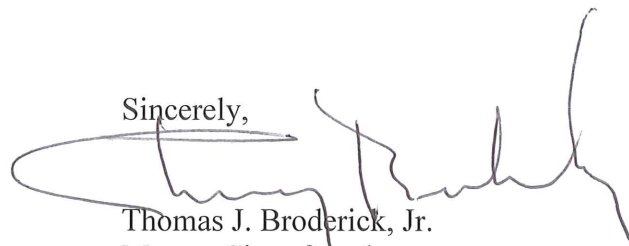
Thank you for your recent efforts in your audit in the city of Anderson.

In response to your audit result and comments, the city would offer the following official response for inclusion in your final report:

1. The city does have a procedure and policy regarding use of credit cards, but it has never been reduced to a formal written policy, with appropriate board approval. It presently includes control of issuance of cards by the city controller, limited issuance of cards, restricted card limits, a requirement for all purchases to be supported by receipts, a requirement for receipts to be maintained and available, and a requirement that the card may only be used for official city business. This policy was followed in regards to the tested credit card statements. The city intends to formalize a written credit card policy for authorized users and for future audit use. The new formalized policy will include the current policy and procedures as well as additional provisions consistent with the SBOA comments. This policy will be presented to the appropriate governing board(s) for approval.
2. The mayor's office does have available and did have available at the time of the audit the supporting documents for the credit card statements that were the subject of the audit. The records are available and kept in the office of the mayor. The new formal policy will require the receipts, or copies thereof, to also be transmitted to the office of the city controller prior to the controller making payment of the credit card invoices.

Thank you again for your assistance and consideration of the inclusion of this response in your final report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tom Broderick, Jr.', written over the word 'Sincerely,'.

Thomas J. Broderick, Jr.
Mayor, City of Anderson

cc: via email to: Douglas Whitham, Anderson City Controller

MAYOR'S OFFICE
CITY OF ANDERSON
EXIT CONFERENCE

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COMMON COUNCIL
CITY OF ANDERSON

COMMON COUNCIL
CITY OF ANDERSON
AUDIT RESULT AND COMMENT

CREDIT CARD POLICY

The City used credit cards to purchase items without an approved, written credit card policy.

The SBOA will not take exception to the use of credit cards by a unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance/resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the governing body.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Credit cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee may be the personal obligation of that officer or employee.
8. If authorized, an annual fee may be paid.

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

COMMON COUNCIL
CITY OF ANDERSON
EXIT CONFERENCE

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