

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF CONNERSVILLE

FAYETTE COUNTY, INDIANA

January 1, 2015 to December 31, 2015



FILED
11/08/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Julie A. Greeson Rosemary Brown	01-01-12 to 12-31-15 01-01-16 to 12-31-19
Mayor	Leonard E. Urban Harold Gordon	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Leonard E. Urban Harold Gordon	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President Pro Tempore of the Common Council	Fran Chomel Gabe Nobbe	01-01-15 to 12-31-15 01-01-16 to 12-31-18
Utility Office Manager	Karen L. Lore Cindy Lunsford	01-01-15 to 12-31-15 01-01-16 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF CONNERSVILLE, FAYETTE COUNTY, INDIANA

This report is supplemental to our audit report of the City of Connerville (City), for the period from January 1, 2015 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings 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

October 2, 2018

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CLERK-TREASURER
CITY OF CONNERSVILLE

CLERK-TREASURER
CITY OF CONNERSVILLE
FEDERAL FINDINGS

FINDING 2015-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition

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

Lack of Segregation of Duties: The City had not separated incompatible activities related to cash and investments, receipts, payroll disbursements, financial transactions and reporting, and the preparation of the Schedule of Expenditures of Federal Awards (SEFA).

Cash and Investments

The Clerk-Treasurer was responsible for performing the monthly bank reconciliation without a proper system of oversight or review.

Receipts

One employee wrote receipts, posted receipts, prepared bank deposits, and had access to the system to make adjustments without a proper system of oversight, review, or approval.

Payroll Disbursements

One employee entered payroll information into the accounting system without an oversight, review, or approval process to ensure the accuracy of the information entered.

Reporting of Financial Transactions

The Clerk-Treasurer uploaded financial information from the City's accounting software to the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source for the Annual Financial Report and the financial statement. There was no oversight, review, or approval process to ensure the accuracy of the information prior to submission.

Preparation of the SEFA

The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the SEFA. The City had not established effective internal controls over the federal award information entered into Gateway, which was the source of the City's SEFA. The Clerk-Treasurer was solely responsible for entering federal award information into Gateway without a control in place to prevent, or detect and correct, errors prior to submission.

Context

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

CLERK-TREASURER
CITY OF CONNERSVILLE
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 that segregated key functions.

Effect

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

Recommendation

We recommended that the City establish a system of internal controls related to 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.

FINDING 2015-002

Subject: Airport Improvement Program - Special Tests and Provisions - Wage Rate Requirements

Federal Agency: Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Numbers and Years (or Other Identifying Numbers): 3-18-0013-018,
3-18-0013-021,
3-18-0013-022

Pass-Through Entity: Direct Grant

Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements

Audit Finding: Material Weakness

CLERK-TREASURER
CITY OF CONNERSVILLE
FEDERAL FINDINGS
(Continued)

Condition

An effective internal control system was not in place at the City to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement. The City hired an engineering firm to oversee compliance with the wage rate requirements; however, the City had not implemented procedures that would have ensured that the engineering firm adequately verified compliance.

Context

The lack of controls was a systemic issue, which occurred throughout 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. . . ."

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 which would have ensured that the City complied with the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

Effect

The failure to establish an effective internal control system, which would include segregation of duties, placed the City at risk of noncompliance with the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

Questioned Costs

There were no questioned costs identified.

CLERK-TREASURER
CITY OF CONNERSVILLE
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the City's management establish controls related to the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

Views of Responsible Officials

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

FINDING 2015-003

Subject: Airport Improvement Program - Cash Management

Federal Agency: Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Numbers and Years (or Other Identifying Numbers): 3-18-0013-018,
3-18-0013-021,
3-18-0013-022

Pass-Through Entity: Direct Grant

Compliance Requirement: Cash Management

Audit Findings: Material Weakness, Other Matters

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 compliance requirement.

The City relied on their contracted grant administrator to prepare requests for federal funding. The Federal Aviation Administration (FAA) directly deposited grant funds into the City's bank account based on the requests. The City had no controls in place to verify that payments were made to vendors within a reasonable amount of time after the deposits. Payment to a vendor for one funding request was made 82 days after the deposit to the City's bank account was made by the FAA.

Context

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

CLERK-TREASURER
CITY OF CONNERSVILLE
FEDERAL FINDINGS
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

49 CFR 18.21(b) states: "*Basic standard.* Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205."

2 CFR 200.305(b) states in part: "For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity . . ."

Cause

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

Effect

The failure to establish an effective internal control system, which would include segregation of duties, enabled noncompliance with the grant agreement and the Cash Management 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 Cash 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 CONNERSVILLE

CITY CLERK-TREASURER
ROSEMARY BROWN
500 N. CENTRAL AVENUE
CONNERSVILLE, IN 47331

Phone: 765-825-1271
Fax: 765-827-0858

CORRECTIVE ACTION PLAN

FINDING 2015-001

Contact Person Responsible for Corrective Action: Rosemary Brown
Contact Phone Number: 765-825-1271

We concur with the finding.

Description of Corrective Action Plan:

The City of Connersville passed Ordinance 6302, an ordinance regarding Internal Control Standards pursuant to IC 5-11-1-27 on March 7, 2016.

Cash and Investments: The accounts receivable clerk reconciles the monthly bank statement with the Clerk Treasurer reviewing.

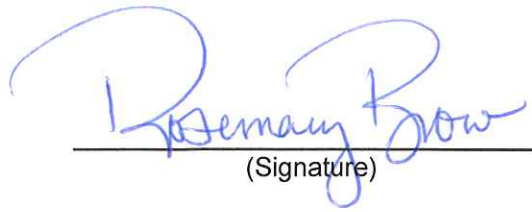
Receipts: All personnel in the Clerk Treasurer's office write receipts, the accounts receivable clerk does write the majority and prepares bank deposit daily. The deposit is reviewed daily mainly by the Clerk Treasurer, if not available by another deputy.

Payroll Disbursements: The department heads turn their payroll in the payroll clerk. The payroll clerk verifies all departments' payroll when entered into the payroll system. The Clerk Treasurer will review. The Board of Works approves the payroll docket.

Reporting Financial Transactions: The Clerk Treasurer uploads financial information into Gateway from our financial software. One of the deputies will review information.

Preparation of the Schedule of Expenditures of Federal Awards: The accounts receivable clerk has created a file to document all grant receipts. This will be used to double check ledger and annual report.

Anticipated Completion Date: 9/29/18



(Signature)

City Clerk Treasurer
(Title)

10/2/2018
(Date)



CITY OF CONNERSVILLE

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CORRECTIVE ACTION PLAN

FINDING 2015-002

Contact Person Responsible for Corrective Action: Rosemary Brown
Contact Phone Number: 765-825-1271

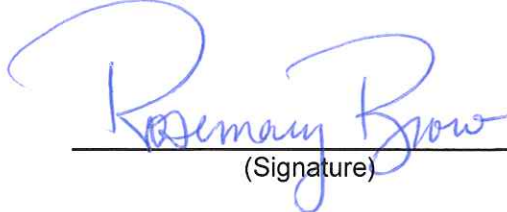
We concur with the finding.

Description of Corrective Action Plan:

The City of Connersville passed Ordinance 6302, an ordinance regarding Internal Control Standards pursuant to IC 5-11-1-27 on March 7, 2016.

The engineering firm is under contract to collect and monitor the wages of the project. They will send the payroll to the Clerk Treasurer's office to verify.

Anticipated Completion Date: 10/1/18



(Signature)

City Clerk Treasurer
(Title)

10/2/18
(Date)



CITY OF CONNERSVILLE

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CORRECTIVE ACTION PLAN

FINDING 2015-003

Contact Person Responsible for Corrective Action: Rosemary Brown
Contact Phone Number: 765-825-1271

We concur with the finding.

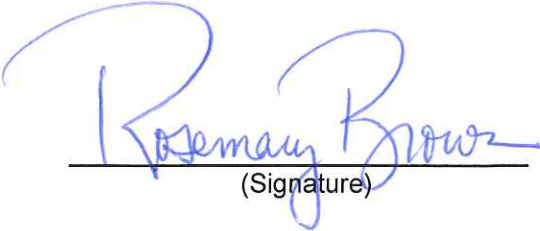
Description of Corrective Action Plan:

The City of Connersville passed Ordinance 6302, an ordinance regarding Internal Control Standards pursuant to IC 5-11-1-27 on March 7, 2016.

The contracted grant administrator is under contract to prepare requests for federal funding. The issue that was identified by the delay in payment of 82 days was a specific instance and the delay in payment was due to contractor non-compliance with the contract language which was not identified until after the request had been submitted to the FAA. Payment was intentionally held until the contractor was in full compliance.

If this unique situation were to arise again a credit of the funds will be issued until the contractor becomes fully compliant.

Anticipated Completion Date: 10/1/18



(Signature)

City Clerk Treasurer
(Title)

10/2/18
(Date)

CLERK-TREASURER
CITY OF CONNERSVILLE
EXIT CONFERENCE

The contents of this report were discussed on October 2, 2018, with Rosemary Brown, Clerk-Treasurer; Julie A. Greeson, former Clerk-Treasurer; Gabe Nobbe, President Pro Tempore of the Common Council; and Cindy Lunsford, Utility Office Manager.