

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
CITY OF COLUMBUS
BARTHOLOMEW COUNTY, INDIANA
January 1, 2016 to December 31, 2016



FILED
11/16/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Luann Welmer	01-01-16 to 12-31-19
Mayor	James D. Lienhoop	01-01-16 to 12-31-19
President of the Board of Public Works and Safety	James D. Lienhoop	01-01-16 to 12-31-19
President of the Common Council	Frank Jerome Frank Miller	01-01-16 to 12-31-16 01-01-17 to 12-31-18
Superintendent of Utilities	Keith Reeves Scott Dompke	01-01-16 to 07-31-18 08-01-17 to 12-31-18
Manager of Finance and Business Operations	Dale Langferman (Vacant) Arron O'Neal	01-01-16 to 01-31-17 02-01-17 to 09-10-17 09-11-17 to 12-31-18
Airport Director	Brian Payne	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 COLUMBUS, BARTHOLOMEW COUNTY, INDIANA

This report is supplemental to our audit report of the City of Columbus (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

October 11, 2018

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CLERK-TREASURER
CITY OF COLUMBUS

CLERK-TREASURER
CITY OF COLUMBUS
FEDERAL FINDINGS

FINDING 2016-001

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

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).

Due to the lack of effective controls, the SEFA contained the following errors:

1. Federal expenditure amounts were understated \$134,321 in total.
2. Two federal programs and one material Highway Planning and Construction project were omitted.
3. One program reported the incorrect CFDA number.
4. Numerous project expenditures were incorrect.

Audit adjustments were proposed, accepted by the City, and made to the SEFA.

Context

The lack of adequate internal controls was a systemic issue 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:

"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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

CLERK-TREASURER
CITY OF COLUMBUS
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 a 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 of the City had not established a proper system of internal control that would have ensured proper reporting of the SEFA.

Effect

The failure to establish and properly implement internal controls enabled material misstatements to go undetected. The SEFA contained the errors identified in the *Condition*.

CLERK-TREASURER
CITY OF COLUMBUS
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the City's management establish controls to ensure accurate 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

Condition

There were deficiencies in the internal control system of the City's Water and Wastewater Utilities related to financial transactions and reporting.

Bank reconciliations were performed by one employee without a documented oversight or review process. The Utilities established that one employee would collect receipts and a different employee would take the deposits to the bank. No documentation was presented to verify that these duties were performed by two different employees.

Context

The lack of controls was a systemic issue 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:

"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. . . ."

CLERK-TREASURER
CITY OF COLUMBUS
FEDERAL FINDINGS
(Continued)

Cause

Management of the City had not established a proper system of internal controls that segregated key functions.

Effect

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

Recommendation

We recommended that the City's Water and Wastewater Utilities establish a system of internal controls related to financial transactions and reporting over bank reconcilements and receipts.

Views of Responsible Officials

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

FINDING 2016-003

Subject: Federal Transit Cluster - Allowable Costs/Cost Principles
Federal Agency: Department of Transportation
Federal Program: Federal Transit Formula Grants
CFDA Number: 20.507
Federal Award Numbers and Years (or Other Identifying Numbers): IN-90-X674, IN-90-X698
Pass-Through Entity: Direct Grant
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system was not in place at the City's ColumBUS Transit in order to ensure compliance with the Allowable Costs/Cost Principles compliance requirement.

There were no controls in place to ensure that a Cost Allocation Plan was prepared to support central service costs charged to the program.

The City did not prepare a proper Cost Allocation Plan to claim reimbursement for the cost of employee health insurance provided to its employees as a central service. The City charged the transit department \$11,250 annually per employee. The total charged for transit employees was \$167,094. This was included in a request for reimbursement at the federal rate of 50 percent (\$83,547). The City was not able to provide a Cost Allocation Plan to substantiate this amount, nor was any other basis provided to substantiate the amount claimed.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period.

CLERK-TREASURER
CITY OF COLUMBUS
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). . . ."

2 CFR 200.416(a) states:

"For states, local governments and Indian tribes, certain services, such as motor pools, computer centers, purchasing, accounting, etc., are provided to operating agencies on a centralized basis. Since Federal awards are performed within the individual operating agencies, there needs to be a process whereby these central service costs can be identified and assigned to benefitted activities on a reasonable and consistent basis. The central service cost allocation plan provides that process."

2 CFR 200.431(c) states:

"The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance (except as indicated in § 200.447 Insurance and indemnification); pension plan costs (see paragraph (i) of this section); and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits, must be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities, and charged as direct or indirect costs in accordance with the non-Federal entity's accounting practices."

Cause

The City had not established an effective internal control system that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish and implement an effective internal control system placed the City in non-compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the City.

Questioned Costs

Known questioned costs of \$83,547 were identified, as described in the *Condition*.

CLERK-TREASURER
CITY OF COLUMBUS
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the City's management establish an internal control system to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles 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 2016-004

Subject: Federal Transit Cluster - Equipment

Federal Agency: Department of Transportation

Federal Programs: Federal Transit Formula Grants, Bus and Bus Facilities Formula Program

CFDA Numbers: 20.507, 20.526

Federal Award Numbers and Years (or Other Identifying Numbers): IN-90-X654, IN-90-X674,
IN-90-X698, IN-34-0024

Pass-Through Entity: Direct Grant

Compliance Requirement: Equipment and Real Property Management

Audit Finding: Material Weakness

Condition

An effective internal control system was not in place at the City's ColumBUS Transit in order to ensure compliance with the equipment requirements.

There were no controls in place to ensure compliance with the equipment inventory requirements. A capital asset inventory was provided dated in 2016, but there was no tangible evidence of who performed the inventory or when it was actually performed.

Context

The lack of controls was a systemic issue 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). . . ."

Cause

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

CLERK-TREASURER
CITY OF COLUMBUS
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish a proper internal control system placed the City at risk of noncompliance with the grant agreement and the equipment requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the equipment requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

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 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.

FINDING 2016-005

Subject: Federal Transit Cluster - Allowable Costs/Cost Principles and Matching
Federal Agency: Department of Transportation
Federal Program: Federal Transit Formula Grants
CFDA Number: 20.507
Federal Award Numbers and Years (or Other Identifying Numbers): IN-90-X674, IN-90-X698
Pass-Through Entity: Direct Grant
Compliance Requirements: Allowable Costs/Cost Principles; Matching, Level of Effort, Earmarking
Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system was not in place at the City's ColumBUS Transit in order to ensure compliance with allowable costs/costs principles and matching requirements.

Effective controls were not in place to ensure that capital costs were not included in operating expenses on a subsequent reimbursement. Requests for reimbursement were compiled by the Director of Transit and submitted to the Deputy Clerk-Treasurer, who submitted them to the federal agency ECHO Drawdown system. There was no tangible evidence that a review of the requests for reimbursement, or the expenses included in the requests, was performed prior to submission.

The City requested an operating reimbursement drawdown, which included the cost of a vehicle that had already been reimbursed with capital grant funds in the prior year. A vehicle purchased in 2015 for \$60,669 was reimbursed 80 percent with capital project funds in November of 2015. The cost of this same vehicle was included in operating expenses, which were claimed for reimbursement at 50 percent (\$30,335) in September of 2016.

CLERK-TREASURER
CITY OF COLUMBUS
FEDERAL FINDINGS
(Continued)

Context

The lack of controls was a systemic issue throughout the audit period. The noncompliance was isolated to this transaction.

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 200.403 states:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards: . . .

(f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also § 200.306 Cost sharing or matching paragraph (b). . . ."

2 CFR 200.306(b) states in part:

"For all Federal awards, any shared costs or matching funds and all contributions, including cash and third party in-kind contributions, must be accepted as part of the non-Federal entity's cost sharing or matching when such contributions meet all of the following criteria:

- (1) Are verifiable from the non-Federal entity's records;
- (2) Are not included as contributions for any other Federal award;
- (3) Are necessary and reasonable for accomplishment of project or program objectives;
- (4) Are allowable under Subpart E - Cost Principles of this part;
- (5) Are not paid by the Federal Government under another Federal award, except where the Federal statute authorizing a program specifically provides that Federal funds made available for such program can be applied to matching or cost sharing requirements of other Federal programs; . . ."

Cause

The City had not established and implemented an effective internal control system that would have ensured compliance with allowable costs/cost principles and matching requirements.

CLERK-TREASURER
CITY OF COLUMBUS
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish and implement an effective internal control system placed the City in non-compliance with the grant agreement and the compliance requirements listed above. Noncompliance with the grant agreement and the compliance requirements could have resulted in the loss of federal funds to the City.

Questioned Costs

Known questioned costs of \$30,335 were identified, as described in the *Condition*.

Recommendation

We recommend that the City's management establish internal controls to ensure compliance with the Allowable Costs/Cost Principles and Matching, Level of Effort, Earmarking compliance requirements.

Views of Responsible Officials

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

FINDING 2016-006

Subject: Federal Transit Cluster - Reporting

Federal Agency: Department of Transportation

Federal Programs: Federal Transit Formula Grants, Bus and Bus Facilities Formula Program

CFDA Numbers: 20.507, 20.526

Federal Award Numbers and Years (or Other Identifying Numbers): IN-90-X654, IN-90-X674,
IN-90-X698, IN-34-0024

Pass-Through Entity: Direct Grant

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the City's ColumBUS Transit in order to ensure compliance with reporting requirements. There were no controls to ensure that required reports were accurate before submission.

Federal Financial Reports (FFR) were submitted quarterly by a third-party contractor, Administrative Resources Association (ARA), using information provided by the Director of Transit. There was no tangible evidence that this information was reviewed by the City prior to submission.

Three of the six quarterly FFRs submitted during the audit period contained errors. The amounts reported did not agree to supporting records provided for audit. The documentation supporting the FFR was not reviewed prior to submission of the reports.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period.

CLERK-TREASURER
CITY OF COLUMBUS
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). . . ."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following:

. . .

(2) 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

The City had not established and implemented an effective internal control system that would have ensured compliance with the Reporting compliance requirement.

Effect

The failure to establish and implement an effective internal control system placed the City in non-compliance with the grant agreement and the Reporting compliance requirement. Noncompliance with the grant agreement and the reporting requirements 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 and implement an internal control system 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.

CLERK-TREASURER
CITY OF COLUMBUS
FEDERAL FINDINGS
(Continued)

FINDING 2016-007

Subject: Federal Transit Cluster - Period of Performance, Reporting
Federal Agency: Department of Transportation
Federal Program: Federal Transit Formula Grants
CFDA Number: 20.507
Federal Award Number and Year (or Other Identifying Number): IN-90-X654
Pass-Through Entity: Direct Grant
Compliance Requirements: Period of Performance, Reporting
Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the City's ColumBUS Transit in order to ensure compliance with period of performance and reporting requirements.

There were no documented controls in place to ensure compliance with the period of performance requirements regarding purchases made after the period of performance. Requests for reimbursement were compiled by the Director of Transit and submitted to the Deputy Clerk-Treasurer, who submitted them to the federal agency ECHO Drawdown system. There was no tangible evidence that a review of the requests for reimbursement, or the expenses included in the requests, was performed to ensure compliance with the period of performance requirements before submission.

The grant period for Award IN-90-X654 was January 1, 2013 to December 1, 2014. Two vehicles, a Ford Elkhart and an MV-1 van, were purchased in 2016 and claimed for capital reimbursement with the IN-90-X654 grant funds. The Ford Elkhart cost \$54,093 with \$43,274 claimed for reimbursement; the MV-1 cost \$58,516 with \$6,173 claimed for reimbursement. The Federal Transit Administration (FTA) required that milestone reports be submitted for purchases made after the period of performance for a grant. ColumBUS Transit did submit milestone reports, but the vehicle described in them was a vehicle purchased in November of 2015. The vehicles purchased in 2016 were not included in any of the milestone reports submitted during 2016.

Context

The lack of controls was a systemic issue throughout the audit period. The noncompliance was isolated to the two transactions described above.

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). . . ."

CLERK-TREASURER
CITY OF COLUMBUS
FEDERAL FINDINGS
(Continued)

2 CFR 200.343(b) states:

"Unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity must liquidate all obligations incurred under the Federal award not later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award."

Cause

The City had not established and implemented an effective internal control system that would have ensured compliance with the Period of Performance and Reporting compliance requirements.

Effect

The failure to establish and implement an effective internal control system placed the City in non-compliance with the grant agreement and the Period of Performance and Reporting compliance requirements. Noncompliance with the grant agreement and the period of performance and reporting requirements could have resulted in the loss of federal funds to the City.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommend that the City's management establish and implement an internal control system to ensure compliance with the grant agreement and the 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.

FINDING 2016-008

Subject: Federal Transit Cluster - Activities Allowed or
Unallowed, Cash Management, Matching
Federal Agency: Department of Transportation
Federal Program: Federal Transit Formula Grants
CFDA Number: 20.507
Federal Award Number and Year (or Other Identifying Number): IN-90-X698
Pass-Through Entity: Direct Grant
Compliance Requirements: Activities Allowed or Unallowed; Cash Management;
Matching, Level of Effort, Earmarking
Audit Findings: Material Weakness, Modified Opinion

CLERK-TREASURER
CITY OF COLUMBUS
FEDERAL FINDINGS
(Continued)

Condition

An effective internal control system was not in place at the City's ColumBUS Transit in order to ensure compliance with the allowable activities, cash management, and matching requirements. Requests for reimbursement were compiled by the Director of Transit and submitted to the Deputy Clerk-Treasurer, who submitted them to the federal agency ECHO Drawdown system. There was no tangible evidence that a review of the requests for reimbursement, or the expenses included in the requests, was performed to ensure compliance with the compliance requirements listed above before submission.

The ColumBUS Transit did not reduce expenses requested for reimbursement by amounts collected from insurance settlements and refunds in the amount of \$13,465.

Context

The lack of controls was a systemic issue throughout the audit period. The noncompliance was isolated to expenditures that received subsequent refunds or insurance settlements.

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 200.306(b) states:

"For all Federal awards, any shared costs or matching funds and all contributions, including cash and third party in-kind contributions, must be accepted as part of the non-Federal entity's cost sharing or matching when such contributions meet all of the following criteria:

- (1) Are verifiable from the non-Federal entity's records;
- (2) Are not included as contributions for any other Federal award;
- (3) Are necessary and reasonable for accomplishment of project or program objectives;
- (4) Are allowable under Subpart E–Cost Principles of this part;
- (5) Are not paid by the Federal Government under another Federal award, except where the Federal statute authorizing a program specifically provides that Federal funds made available for such program can be applied to matching or cost sharing requirements of other Federal programs;
- (6) Are provided for in the approved budget when required by the Federal awarding agency; and

CLERK-TREASURER
CITY OF COLUMBUS
FEDERAL FINDINGS
(Continued)

(7) Conform to other provisions of this part, as applicable."

2 CFR 200.402 states: "*Total cost.* The total cost of a Federal award is the sum of the allowable direct and allocable indirect costs less any applicable credits."

2 CFR 200.305(b)(5) states in part:

". . . To the extent available, the non-Federal entity must disburse funds available from program income (including repayments to a revolving fund), rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments."

Cause

The City had not established and implemented an effective internal control system that would have ensured compliance with the allowable activities, cash management, and matching requirements.

Effect

The failure to establish and implement an effective internal control system placed the City in non-compliance with the grant agreement and the compliance requirements listed above. Noncompliance with the grant agreement and the compliance requirements listed above could have resulted in the loss of federal funds to the City.

Questioned Costs

Known questioned costs of \$13,465 were identified in the *Condition*.

Recommendation

We recommend that the City's management establish and implement an internal control system to ensure compliance with the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

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

FINDING 2016-009

Subject: Highway Planning and Construction - Suspension and Debarment
Federal Agency: Department of Transportation
Federal Program: Highway Planning and Construction
CFDA Number: 20.205
Federal Award Number and Year (or Other Identifying Number): EDS #A249-15-G150001
Pass-Through Entity: Indiana Department of Transportation
Compliance Requirement: Procurement and Suspension and Debarment
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 suspension and debarment requirements.

CLERK-TREASURER
CITY OF COLUMBUS
FEDERAL FINDINGS
(Continued)

The City's Metropolitan Planning Organization had not established an effective internal control system to ensure compliance with the suspension and debarment requirements. There were no controls in place to ensure that vendors were not suspended or debarred from participation in federal programs.

The City's Metropolitan Planning Organization did not perform any procedures to verify that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

Context

The lack of controls and noncompliance were systemic issues 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). . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

The City had not established and implemented an effective internal control system that would have ensured compliance with the suspension and debarment compliance requirements.

Effect

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the suspension and debarment requirements.

Questioned Costs

There were no questioned costs identified.

CLERK-TREASURER
CITY OF COLUMBUS
FEDERAL FINDINGS
(Continued)

Recommendation

We recommend that the City's management establish and implement an internal control system to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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



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Luann G. Welmer, Clerk-Treasurer

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Luann Welmer
Contact Phone Number: 812-376-2510

Views of Responsible Official: I concur with the finding.

Description of Corrective Action Plan:

The City of Columbus, under the direction of the Clerk Treasurer's Office, will strengthen its internal control procedures to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Clerk Treasurer's Office will conduct follow-up meetings with Departments to discuss audit findings and develop a process for properly reporting all federal programs. These processes will begin immediately.

Luann Welmer

(Signature)

Clerk Treasurer

(Title)

10/11/2018

(Date)



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Luann G. Welmer, Clerk-Treasurer

CORRECTIVE ACTION PLAN

FINDING 2016-002

Contact Person Responsible for Corrective Action: Luann Welmer
Contact Phone Number: 812-376-2510

Views of Responsible Official: I concur with the finding.

Description of Corrective Action Plan:

The City of Columbus, under the direction of the Clerk Treasurer's Office, will work with City Water and Wastewater Utilities to strengthen internal control procedures related to financial transactions and reporting with bank reconcilements. The Clerk Treasurer's Office will conduct follow-up meetings with the Columbus City Utilities to discuss audit findings and develop a process for properly reporting all financial transactions. This will be an ongoing process.

Luann Welmer

(Signature)

Clerk Treasurer

(Title)

10/11/2018

(Date)



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Luann G. Welmer, Clerk-Treasurer

CORRECTIVE ACTION PLAN

FINDING 2016-003

Contact Person Responsible for Corrective Action: Luann Welmer
Contact Phone Number: 812-376-2510

Views of Responsible Official: I concur with the finding.

Description of Corrective Action Plan:

The City of Columbus, under the direction of the Clerk Treasurer's Office, will strengthen its internal control procedures to ensure compliance with the Federal Transit Grant Agreement and Allowable Costs/Cost Principles compliance requirements. The Clerk Treasurer's Office will conduct follow-up meetings with Departments to discuss audit findings and develop a process for properly reporting all federal programs. An anticipated completion date for these processes is April 30, 2019.

Luann Welmer
(Signature)

Clerk Treasurer
(Title)

10/11/2018
(Date)



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Luann G. Welmer, Clerk-Treasurer

CORRECTIVE ACTION PLAN

FINDING 2016-004

Contact Person Responsible for Corrective Action: Luann Welmer
Contact Phone Number: 812-376-2510

Views of Responsible Official: I concur with the finding.

Description of Corrective Action Plan:

The City of Columbus, under the direction of the Clerk Treasurer's Office, will strengthen its internal control procedures, including segregation of duties, related to Federal Transit Grant Agreements, Bus and Bus Facilities Formula Program, and compliance requirements. The Clerk Treasurer's Office will conduct follow-up meetings with Departments to discuss audit findings and develop a process for properly reporting all federal programs. An anticipated completion date for these processes is April 30, 2019.

Luann Welmer
(Signature)

Clerk Treasurer
(Title)

10/16/2018
(Date)



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Luann G. Welmer, Clerk-Treasurer

CORRECTIVE ACTION PLAN

FINDING 2016-005

Contact Person Responsible for Corrective Action: Luann Welmer
Contact Phone Number: 812-376-2510

Views of Responsible Official: I concur with the finding.

Description of Corrective Action Plan:

The City of Columbus, under the direction of the Clerk Treasurer's Office, will strengthen its internal control procedures over reimbursement requests related to grant agreements and compliance requirements. The Clerk Treasurer's Office will conduct follow-up meetings with Departments to discuss audit findings and develop a process for properly reporting all federal programs. An anticipated completion date for these processes is April 30, 2019.

Luann Welmer
(Signature)

Clerk Treasurer
(Title)

10/11/2018
(Date)



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Luann G. Welmer, Clerk-Treasurer

CORRECTIVE ACTION PLAN

FINDING 2016-006

Contact Person Responsible for Corrective Action: Luann Welmer
Contact Phone Number: 812-376-2510

Views of Responsible Official: I concur with the finding.

Description of Corrective Action Plan:

The City of Columbus, under the direction of the Clerk Treasurer's Office, will strengthen its internal control procedures, including segregation of duties, related to Federal Transit Grant Agreements, Bus and Bus Facilities Formula Program, and compliance requirements. The Clerk Treasurer's Office will conduct follow-up meetings with Departments to discuss audit findings and develop a process for properly reporting all federal programs. An anticipated completion date for these processes is April 30, 2019.

Luann Welmer
(Signature)

Clerk Treasurer
(Title)

10/11/2018
(Date)



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Luann G. Welmer, Clerk-Treasurer

CORRECTIVE ACTION PLAN

FINDING 2016-007

Contact Person Responsible for Corrective Action: Luann Welmer
Contact Phone Number: 812-376-2510

Views of Responsible Official: I concur with the finding.

Description of Corrective Action Plan:

The City of Columbus, under the direction of the Clerk Treasurer's Office, will strengthen its internal control procedures, including segregation of duties, related to Federal Transit Grant Agreements, Bus and Bus Facilities Formula Program, and compliance requirements. The Clerk Treasurer's Office will conduct follow-up meetings with Departments to discuss audit findings and develop a process for properly reporting all federal programs. An anticipated completion date for these processes is April 30, 2019.



(Signature)



(Title)



(Date)



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Luann G. Welmer, Clerk-Treasurer

CORRECTIVE ACTION PLAN

FINDING 2016-008

Contact Person Responsible for Corrective Action: Luann Welmer
Contact Phone Number: 812-376-2510

Views of Responsible Official: I concur with the finding.

Description of Corrective Action Plan:

The City of Columbus, under the direction of the Clerk Treasurer's Office, will strengthen its internal control procedures over reimbursement requests related to Federal Transit Formula Grant Agreements and compliance requirements. The Clerk Treasurer's Office will conduct follow-up meetings with Departments to discuss audit findings and develop a process for properly reporting all federal programs. An anticipated completion date for these processes is April 30, 2019.



(Signature)



(Title)



(Date)



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Luann G. Welmer, Clerk-Treasurer

CORRECTIVE ACTION PLAN

FINDING 2016-009

Contact Person Responsible for Corrective Action: Luann Welmer
Contact Phone Number: 812-376-2510

Views of Responsible Official: I concur with the finding.

Description of Corrective Action Plan:

The City of Columbus, under the direction of the Clerk Treasurer's Office, will strengthen its internal control procedures to ensure compliance related to Highway Planning and Construction Grant Agreements and compliance requirements. The Clerk Treasurer's Office will conduct follow-up meetings with Departments to discuss audit findings and develop a process for properly reporting all federal programs. An anticipated completion date for these processes is April 30, 2019.

Luann Welmer

(Signature)

Clerk Treasurer

(Title)

10/11/2018

(Date)

CLERK-TREASURER
CITY OF COLUMBUS
EXIT CONFERENCE

The contents of this report were discussed on October 11, 2018, with James D. Leinhoop, Mayor; Frank Miller, President of the Common Council; Luann Welmer, Clerk-Treasurer; Kimberly Sweet, Deputy Clerk-Treasurer; James Brinegar, Finance/Budget; Dave Haywood, City Engineer; Scott Dompke, Superintendent of Utilities; and Bryan Burton, Director of Public Works.