

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF WEST LAFAYETTE

TIPPECANOE COUNTY, INDIANA

January 1, 2017 to December 31, 2017



FILED
11/21/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Peter L. Gray	01-01-17 to 12-31-18
City Clerk	Sana G. Booker	01-01-16 to 12-31-19
Mayor	John R. Dennis	01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Sana G. Booker	01-01-17 to 12-31-18
President of the Common Council	Peter Bunder	01-01-17 to 12-31-18
Wastewater Utility Director	David Henderson	01-01-17 to 12-31-18



STATE OF INDIANA
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TO: THE OFFICIALS OF THE CITY OF WEST LAFAYETTE, TIPPECANOE COUNTY, INDIANA

This report is supplemental to our audit report of the City of West Lafayette (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 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 Finding, identified in the above referenced audit report, is included in this report.

Any Corrective Action Plan for the Federal Finding, incorporated within this report, was not verified for accuracy.

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

October 9, 2018

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CITY CONTROLLER
CITY OF WEST LAFAYETTE

CITY CONTROLLER
CITY OF WEST LAFAYETTE
FEDERAL FINDING

FINDING 2017-001

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).

The City had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the City's SEFA.

Context

The SEFA presented for audit contained the following errors:

1. The Farmers Market Promotion Program expenditures were overstated by \$5,000.
2. The Cooperative Forestry Assistance program expenditures were understated by \$17,222.
3. The Highway Planning and Construction Cluster expenditures were overstated by \$366,249.

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. . . .

CITY CONTROLLER
CITY OF WEST LAFAYETTE
FEDERAL FINDING
(Continued)

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. . . ."

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

CITY CONTROLLER
CITY OF WEST LAFAYETTE
FEDERAL FINDING
(Continued)

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*.

Recommendation

We recommended that the City's management establish 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.



Finance Department
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West Lafayette, Indiana 47906
765.775.5150
Controller@WestLafayette.in.gov

5 October 2018

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action:
Peter L Gray, City Controller

Contact Phone Number:
(765) 775-5151

Views of Responsible Official:
We concur with the finding.

Description of Corrective Action Plan:

The process for recording the Schedule of Expenditures of Federal Awards (SEFA) into Gateway will be reviewed and refined to ensure accuracy of the information. The receipting process of grant money will also be reviewed. This will include a visual flowchart of the receipt process, which will demonstrate the segregation of duties.

Anticipated Completion Date:

31 December 2018

Respectfully submitted by,

Peter L Gray, City Controller

CITY CONTROLLER
CITY OF WEST LAFAYETTE
EXIT CONFERENCE

The contents of this report were discussed on October 9, 2018, with John R. Dennis, Mayor; Peter L. Gray, City Controller; and Peter Bunder, President of the Common Council.