

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF COLUMBIA CITY

WHITLEY COUNTY, INDIANA

January 1, 2015 to December 31, 2015



FILED
11/27/2018

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|--|--|--|
| Clerk-Treasurer | Rosie M. Coyle | 01-01-12 to 12-31-19 |
| Mayor | Ryan L. Daniel | 01-01-12 to 12-31-19 |
| President of the Board of Public Works and Safety | Ryan L. Daniel | 01-01-12 to 12-31-19 |
| President Pro Tempore of the Common Council | Daniel L. Weigold Walter C. Crowder | 01-01-15 to 12-31-15 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 COLUMBIA CITY, WHITLEY COUNTY, INDIANA

This report is supplemental to our audit report of the City of Columbia City (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 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 Finding, identified in the above referenced audit report, is 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 Finding and 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

November 26, 2018

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CLERK-TREASURER
CITY OF COLUMBIA CITY

CLERK-TREASURER
CITY OF COLUMBIA CITY
FEDERAL FINDING

FINDING 2015-001

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

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 Clerk-Treasurer prepared the federal award information entered into the Indiana Gateway for Government Units financial reporting system without a control in place to prevent, or detect and correct, errors prior to submission.

Context

The SEFA presented for audit contained the following errors:

1. The Highway Planning and Construction Cluster expenditures were overstated by \$23,671.
2. The Rural Economic Development Loans and Grants expenditures were understated by \$1,440,783.

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. . . ."

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. . . ."

CLERK-TREASURER
CITY OF COLUMBIA CITY
FEDERAL FINDING
(Continued)

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*.

CLERK-TREASURER
CITY OF COLUMBIA CITY
FEDERAL FINDING
(Continued)

Recommendation

We recommended that the City establish a system of internal controls to ensure that federal expenditures will be properly reported 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.

**City Clerk –Treasurer
112 S. Chauncey St
Columbia City, IN 46725
260 248 5112**

November 20, 2018

CORRECTIVE ACTION PLAN

FINDING2015-001

Contact Person Responsible for Corrective Action: City Clerk Treasurer

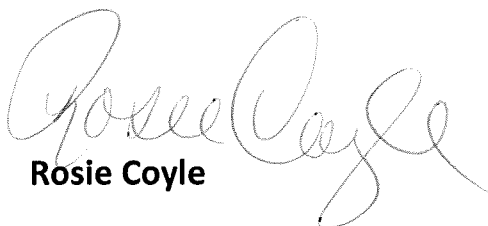
Contact Phone: 260 248 5112

Views of Responsible Official: Clerk Treasurer concurs with finding.

Description of Corrective Action Plan:

The Clerk Treasurer will work with the Deputy Clerk to review the information that is submitted to ensure that the SEFA is correct

Anticipated Completion Date: This will be correct with the 2018 submission



Rosie Coyle

City Clerk Treasurer

CLERK-TREASURER
CITY OF COLUMBIA CITY
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Reports B42290 and B46016.

The financial statement presented for audit included the following funds with overdrawn cash balances at December 31, 2015:

| Fund | Amount Overdrawn |
|-----------------------------------|---------------------|
| General | \$ 27,103 |
| Park and Recreation Non Reverting | 24,121 |
| Emergency Telephone System | 1,934 |
| Park and Recreation | 6,494 |
| Group Insurance | 3,651 |
| Water Pollution Control | 11,554 |
| WPC Improvement | 976 |
| Water Operating | 104,425 |

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
CITY OF COLUMBIA CITY
EXIT CONFERENCE

The contents of this report were discussed on November 26, 2018, with Rosie M. Coyle, Clerk-Treasurer, and Ryan L. Daniel, Mayor.