

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF WESTFIELD

HAMILTON COUNTY, INDIANA

January 1, 2016 to December 31, 2016



FILED
12/06/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cindy Gossard	01-01-16 to 12-31-19
Director of Public Works	Jeremy Lollar	01-01-16 to 12-31-18
Mayor	Andrew Cook	01-01-16 to 12-31-19
President of the Common Council	Chuck Lehman Jim Ake	01-01-16 to 12-31-16 01-01-17 to 12-31-18
President of the Board of Public Works and Safety	Andrew Cook	01-01-16 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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TO: THE OFFICIALS OF THE CITY OF WESTFIELD, HAMILTON COUNTY, INDIANA

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

November 15, 2018

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CLERK-TREASURER
CITY OF WESTFIELD

CLERK-TREASURER
CITY OF WESTFIELD
FEDERAL FINDING

FINDING 2016-001

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. The City had not established controls to ensure documented reviews related to receipts, disbursements, federal transactions, and reporting.

1. A financial consultant prepared and entered the cash and investment balances, receipts, and disbursements in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source for the City's financial statement, without a documented review or oversight prior to submission.
2. On a monthly basis, the departments were expected to review amounts received to and disbursed from their funds, including federal transactions, to ensure that the amounts were posted to the correct fund. The City did not have documentation to support the departments' review of these transactions.
3. The City's Customer Service Center prepared daily collection reports, which were reviewed by the Clerk-Treasurer; however, the review was not documented.

Context

The lack of documented 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:

CLERK-TREASURER
CITY OF WESTFIELD
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 a proper system of internal control over financial transactions and reporting.

Effect

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

Recommendation

We recommended that the City's management establish a system of internal controls, including segregation of duties, 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.

November 8, 2018

Mayor
Andy Cook

City Council
Jim Ake
Steven Hoover
Robert L. Horkay
Chuck Lehman
Robert J. Smith
Cindy L. Spoljaric
Robert W. Stokes

Clerk Treasurer
Cindy J. Gossard

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact person Responsible for Corrective: Action: Cindy Gossard
Contact Phone Number: 317-557-9451

Views of Responsible Official: Agree

Description of Corrective Action Plan:

1. We will prepare and initial a form to indicate the Gateway entries have been reviewed and approved.
2. We will prepare and initial a form for the Department heads to indicate their review of their departments transactions
3. This has been corrected as of February 2018. The Clerk's office initials the daily collections report

Anticipated Completion Date: The above deficiencies will be corrected and in place by December 2018

Signature: Cindy Gossard
Title: Clerk Treasurer
Date: Nov 8, 2018

Clerk Treasurer's Office

(317) 804-3020 office
(317) 804-3024 fax

130 Penn Street
Westfield, IN 46074
westfield.in.gov

CLERK-TREASURER
CITY OF WESTFIELD
AUDIT RESULT AND COMMENT

DISBURSEMENTS

Payments totaling \$107,447 were made for services which were not supported by written contracts. Furthermore, itemized vendor invoices were not provided to document the payments for the services.

The City paid a total of \$17,779 for snow removal and trash pick-up from the Local Road and Street fund. Per statute, trash pick-up and snow removal are not allowable uses of local road and street funds. Furthermore, a disbursement of \$14,068 was made from the Local Road and Street fund based upon an invoice, which was not itemized. Total disbursements from the Local Road and Street fund was \$286,118.

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns Chapter 1)

Indiana Code 5-11-10-1.6(c) states in part:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim . . ."

Indiana Code 8-14-2-5 states:

"Money from the local road and street account shall be used exclusively by the cities, towns, and counties for:

- (1) engineering, land acquisition, construction, resurfacing, maintenance, restoration, or rehabilitation of both local and arterial road and street systems;
- (2) the payment of principal and interest on bonds sold primarily to finance road, street, or thoroughfare projects;
- (3) any local costs required to undertake a recreational or reservoir road project under IC 8-23-5; or
- (4) the purchase, rental, or repair of highway equipment."

CLERK-TREASURER
CITY OF WESTFIELD
EXIT CONFERENCE

The contents of this report were discussed on November 15, 2018, with Jeremy Lollar, Director of Public Works; Cindy Gossard, Clerk-Treasurer; Jim Ake, President of the Common Council; Joe Edwards, Steve Hoover, and Cindy Spoljaric, Members of the Common Council.

COMMON COUNCIL
CITY OF WESTFIELD

COMMON COUNCIL
CITY OF WESTFIELD
AUDIT RESULT AND COMMENT

CONTRACTS

Payments totaling \$107,447 were made for services which were not supported by written contracts.

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns Chapter 1)

COMMON COUNCIL
CITY OF WESTFIELD
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PUBLIC WORKS DEPARTMENT
CITY OF WESTFIELD

PUBLIC WORKS DEPARTMENT
CITY OF WESTFIELD
FEDERAL FINDING

FINDING 2016-002

Subject: Highway Planning and Construction Cluster - Internal Controls

Federal Agency: Department of Transportation

Federal Programs: Highway Planning and Construction Cluster

CFDA Numbers: 20.205

Federal Award Numbers and Years (or Other Identifying Numbers): 1173100, 1173079, 1400864,
1173193, 1173468, 900029,
1298498, 1500431, 1500429,
1500430, 1500428

Pass-Through Entity: Indiana Department of Transportation

Compliance Requirements: Cash Management; Matching, Level of Effort,
Earmarking; Period of Performance

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-002.

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; Matching, Level of Effort, Earmarking; and Period of Performance compliance requirements.

Cash Management

The City did not review expenditures to ensure that federal funds were expended prior to claiming reimbursement.

Matching

Project expenditures and reports were not reviewed to ensure that the federal match was met.

Period of Performance

The City did not review expenditures to ensure that federal funds were expended within the period of performance.

Context

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

PUBLIC WORKS DEPARTMENT
CITY OF WESTFIELD
FEDERAL FINDING
(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). . . ."

Cause

Management had not developed a system of internal controls to ensure compliance with the Cash Management; Matching, Level of Effort, Earmarking; and Period of Performance compliance requirements.

Effect

The failure to establish an effective internal control system placed the City at risk of noncompliance with the grant agreement and the Cash Management; Matching, Level of Effort, Earmarking; and Period of Performance compliance requirements.

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; Matching, Level of Effort, Earmarking; and Period of Performance compliance requirements.

Views of Responsible Officials

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



Mayor
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Chuck Lehman
Robert J. Smith
Cindy L. Spoljaric
Robert W. Stokes

Clerk Treasurer
Cindy J. Gossard

CORRECTIVE ACTION PLAN

FINDING 2016-002 (Auditor Assigned Reference Number)

Contact person Responsible for Corrective Action: Jeremy Lollar
Contact Phone Number: 317-710-4783

Views of Responsible Official: Agree

Description of Corrective Action Plan:

Public Works will develop a process that addresses cash management, matching, and period of performance as it pertain to highway planning and construction grants. This process will address the internal controls process associated with management of these grants.

Anticipated Completion Date: 1/1/2019

A handwritten signature in black ink, appearing to read "Jeremy Lollar", is written over a horizontal line.

Jeremy Lollar
Director of Public Works

Date: 11/8/2018

Clerk Treasurer's Office

(317) 804-3020 office
(317) 804-3024 fax

130 Penn Street
Westfield, IN 46074
westfield.in.gov

PUBLIC WORKS DEPARTMENT
CITY OF WESTFIELD
AUDIT RESULT AND COMMENT

LOCAL ROAD AND STREET DISBURSEMENTS

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PUBLIC WORKS DEPARTMENT
CITY OF WESTFIELD
EXIT CONFERENCE

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