

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF CRAWFORDSVILLE

MONTGOMERY 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	Terri Gadd	01-01-16 to 12-31-19
Mayor	Todd Barton	01-01-16 to 12-31-19
President Pro Tempore of the Common Council	Andrew Biddle	01-01-16 to 12-31-18
Superintendent of Electric Utility	Phillip R. Goode	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 CRAWFORDSVILLE, MONTGOMERY COUNTY, INDIANA

This report is supplemental to our audit report of the City of Crawfordsville (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 7, 2018

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CLERK-TREASURER
CITY OF CRAWFORDSVILLE

CLERK-TREASURER
CITY OF CRAWFORDSVILLE
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. There was a lack of adequate segregation of duties, as the City had not separated incompatible activities related to receipts and disbursements of the financial transactions.

Electric Utility Receipts

An Electric Utility employee prepared a daily collection report from the Electric Utility software system, which was provided to the City. The City employee compared the daily collection report to the depository; however, documentation of the review was not provided. The City did not receive any reports from the Electric Utility software system to support the daily collections recorded.

Electric Utility Vendor Disbursements

Checks, check registers, and claims were prepared at the Electric Utility. The checks were sent to the City for the Clerk-Treasurer's review and signature; however, documentation of the review was not provided.

City Vendor Disbursements

One employee compared a transaction listing to the accounts payable vouchers; however, documentation of the review was not provided.

Context

The lack of 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 CRAWFORDSVILLE
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. An evaluation of the City's system of internal control had not been conducted.

Effect

The failure to establish controls could have enabled 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 of receipts and disbursements.

Views of Responsible Officials

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

CITY OF
CRAWFORDSVILLE
P.O. Box 329
Crawfordsville, IN 47933

Terri J. Gadd, IAMC
Clerk Treasurer

City Building
(765) 364-5150

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Terri Gadd
Contact Phone Number: 765 364-5150

Views of Responsible Official: Management agrees with findings

Description of Corrective Action Plan:

Electric Utility Receipts

Clerk Treasurer office will work with electric department to include a system generated daily collections summary report to the daily collections report submitted to the clerk treasurer office.

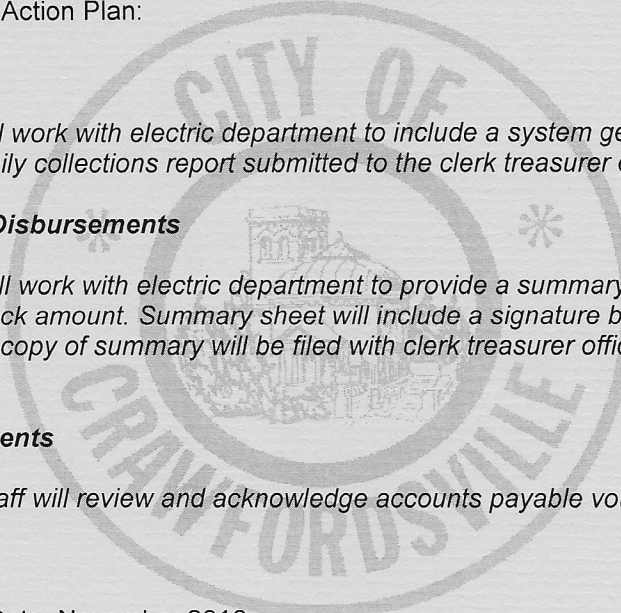
Electric Utility Vendor Disbursements

Clerk Treasurer Office will work with electric department to provide a summary sheet listing check number, vendor, and check amount. Summary sheet will include a signature block for who prepared and who reviewed, and date, copy of summary will be filed with clerk treasurer office, and a copy returned to electric department.

City Vendor Disbursements

Clerk Treasurer Office staff will review and acknowledge accounts payable voucher transaction report.

Anticipated Completion Date: November 2018


Terri Gadd
(Signature)

Clerk Treasurer
(Title)

Nov 1, 2018
(Date)

CLERK-TREASURER
CITY OF CRAWFORDSVILLE
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Report B47113.

The financial statement presented for audit included the Golf Course fund and the Central Garage fund with overdrawn cash balances of \$69,330 and \$27,072, respectively, at December 31, 2016.

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 unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
CITY OF CRAWFORDSVILLE
EXIT CONFERENCE

The contents of this report were discussed on November 7, 2018, with Terri Gadd, Clerk-Treasurer; Todd Barton, Mayor; and J. Kent Minnette, City Attorney.

AIRPORT
CITY OF CRAWFORDSVILLE

AIRPORT
CITY OF CRAWFORDSVILLE
FEDERAL FINDING

FINDING 2016-002

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): 3-18-0015-013-2014,
3-18-0015-014-2015

Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements

Audit Finding: Material Weakness

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 Special Tests and Provisions - Wage Rate Requirements compliance requirement.

The City had not designed or implemented adequate internal controls to ensure that the prevailing wage rates were paid by the contractors or subcontractors of the projects. The City hired an engineering firm to oversee compliance with the wage rate requirements without proper oversight or review.

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. . . ."

AIRPORT
CITY OF CRAWFORDSVILLE
FEDERAL FINDING
(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). . . ."

Cause

Management had not developed a system of internal controls to ensure compliance 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.

Recommendation

We recommended that the City's management establish controls to ensure compliance with 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.

CITY OF
CRAWFORDSVILLE
P.O. Box 329
Crawfordsville, IN 47933

Terri J. Gadd, IAMC
Clerk Treasurer

City Building
(765) 364-5150

CORRECTIVE ACTION PLAN

FINDING 2016-002

Contact Person Responsible for Corrective Action: Terri Gadd
Contact Phone Number: 765 364-5150

Views of Responsible Official: Management agrees with the findings

Description of Corrective Action Plan:

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 Special Test and Provisions – Wage Rate Requirement compliance requirement.

The airport authority board will research, review and implement – adequate internal controls to ensure proper oversight is followed when engaging consultants, contractors and sub-contractors for all state and federal assisted projects – the oversight and review will be responsibility of the airport manager and airport board.

Anticipated Completion Date: November 2018

Terri Gadd

(Signature)

Clerk Treasurer

(Title)

Nov 1, 2018

(Date)

AIRPORT
CITY OF CRAWFORDSVILLE
EXIT CONFERENCE

The contents of this report were discussed on November 27, 2018, with Lori Curless, Airport Manager; Terri Gadd, Clerk-Treasurer; Todd Barton, Mayor; and J. Kent Minnette, City Attorney.

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ELECTRIC UTILITY
CITY OF CRAWFORDSVILLE

ELECTRIC UTILITY
CITY OF CRAWFORDSVILLE
AUDIT RESULT AND COMMENT

PAYMENT OF VOUCHERS

The Electric Utility generated Accounts Payable Vouchers (Vouchers) every week for goods and services received for the Electric Utility. Vouchers were generated and checks were mailed before the Electric Utility Service Board approved the Vouchers.

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) 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;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

ELECTRIC UTILITY
CITY OF CRAWFORDSVILLE
EXIT CONFERENCE

The contents of this report were discussed on November 7, 2018, with Phillip R. Goode, Electric Utility Manager; Lyle E. Fogel, President of the Electric Utility Service Board; Terri Gadd, Clerk-Treasurer; Todd Barton, Mayor; Donald R. Swearingen, Electric Utility Service Board member; and J. Kent Minnette, City Attorney.