

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF BICKNELL

KNOX COUNTY, INDIANA

January 1, 2017 to December 31, 2017



FILED
12/13/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Federal Findings:	
Finding 2017-001	
Financial Transactions and Reporting	6-7
Finding 2017-002	
Preparation of the Schedule of Expenditures of Federal Awards	7-9
Corrective Action Plan	10-11
Exit Conference	12

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rebecca L. McGlone	01-01-16 to 12-31-19
Mayor	Thomas L. Estabrook	01-01-16 to 12-31-19
President of the Board of Public Works	Thomas L. Estabrook	01-01-16 to 12-31-19
President Pro Tempore of the Common Council	Richard R. Byrer	01-01-17 to 12-31-18
Superintendent of Water Utility	Earl E. Horst	01-01-17 to 12-31-18
Superintendent of Wastewater Utility	William E. Soltwedel	01-01-17 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 BICKNELL, KNOX COUNTY, INDIANA

This report is supplemental to our audit report of the City of Bicknell (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 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 30, 2018

(This page intentionally left blank.)

CLERK-TREASURER
CITY OF BICKNELL

CLERK-TREASURER
CITY OF BICKNELL
FEDERAL FINDINGS

FINDING 2017-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Condition

There were deficiencies in the internal control system of the City related to financial transactions and reporting. There was no segregation of duties as the City had not separated incompatible activities related to receipts and reporting.

The Clerk-Treasurer issued city and utility receipts, prepared and made deposits, and posted the receipts to the ledger. There was no indication of a review or approval process to verify that the receipts were accurate and properly recorded in the ledger.

The Clerk-Treasurer entered the information into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report (AFR) and the financial statement. There was no indication of a review or approval process over the information prior to submission. The AFR was incomplete and did not include the receipts, disbursements, and cash and investment balances for the Wastewater SRF funds.

Audit adjustments were proposed, approved by the City, and made to the AFR and financial statement.

Context

ss

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. . . ."

CLERK-TREASURER
CITY OF BICKNELL
FEDERAL FINDINGS
(Continued)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

Cause

Management of the City had not established a proper system of internal control.

Effect

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

Recommendation

We recommended that the City establish a system of internal controls related to financial transactions and reporting. We also recommended that the City properly report the activities of all funds on their AFR and financial statement.

Views of Responsible Officials

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

FINDING 2017-002

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).

Context

The lack of controls was a systemic problem throughout the audit period. As a result, the SEFA contained the following errors:

1. The Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii grant was reported incorrectly as part of a cluster. One of the two program titles were incorrect, one of the two identifying numbers was incorrect, and both pass-through entities were incorrect.
2. The Highway Planning and Construction grant was incorrectly included.
3. The Alcohol Impaired Driving Countermeasures Incentive Grants I cluster title was incorrect. The program title, project title, CFDA number, and identifying number were also incorrect.

CLERK-TREASURER
CITY OF BICKNELL
FEDERAL FINDINGS
(Continued)

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. . . ."

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.

CLERK-TREASURER
CITY OF BICKNELL
FEDERAL FINDINGS
(Continued)

- (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*.

Recommendation

We recommended that the City's management establish controls to prevent, or detect and correct, errors 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.



CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Rebecca L. McGlone, Bicknell Clerk-Treasurer
Contact Phone Number: 812-735-4636

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The information entered into Gateway will be verified by a second individual in the office through fund report balances as well as the copy printed in Gateway. The fund report and Gateway copy will be initialed by both individuals to signify agreement.

The City will strive to improve the processing of receipts with a better segregation of duties.

The City has resubmitted the Gateway annual reports to include the Wastewater SRF Funds. We will add both Wastewater SRF funds to the Keystone funds ledger. The SRF funds will be included on all future Gateway annual financial reports.

Anticipated Completion Date: January 1, 2019

Rebecca L. McGlone

(Signature)

CLERK-TREASURER

(Title)

October 30, 2018

(Date)



Bicknell Clerk-Treasurer's Office

119 E. 2nd Street
P.O. Box 127
Bicknell, IN 47512
(812)735-4636
(812)735-5253
bicknellct@yahoo.com

CORRECTIVE ACTION PLAN

FINDING 2017-002

Contact Person Responsible for Corrective Action: Rebecca L. McGlone, Bicknell Clerk-Treasurer
Contact Phone Number: 812-735-4636

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The City will strive to improve the reporting of the SEFA by review and approval of a second individual. The SEFA will be printed and initialed by both individuals to signify agreement.

The City has made corrections and resubmitted the 2017 SEFA on Gateway.

Anticipated Completion Date: Effective Immediately.

Rebecca L. McGlone

(Signature)

CLERK-TREASURER

(Title)

October 30, 2018

(Date)

CLERK-TREASURER
CITY OF BICKNELL
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2018, with Rebecca L. McGlone, Clerk-Treasurer; Thomas L. Estabrook, Mayor; and Richard R. Byrer, President Pro Tempore of the Common Council.