

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF BEDFORD

LAWRENCE COUNTY, INDIANA

January 1, 2017 to December 31, 2017



FILED
12/21/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Marsha Pfeiffer	07-29-16 to 12-31-19
Mayor	Shawna M. Girgis	01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Shawna M. Girgis	01-01-17 to 12-31-18
President Pro Tempore of the Common Council	Byron L. Buker	01-01-17 to 12-31-18
Utilities Director	Misty Adams	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 BEDFORD, LAWRENCE COUNTY, INDIANA

This report is supplemental to our audit report of the City of Bedford (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 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 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 Finding 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 8, 2018

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CLERK-TREASURER
CITY OF BEDFORD

CLERK-TREASURER
CITY OF BEDFORD
FEDERAL FINDING

FINDING 2017-001

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

Repeat Finding

This is a repeat of Finding 2016-001 from the immediately prior audit.

Condition

The City had not established effective internal controls to prevent, or detect and correct, errors in the grant information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the Schedule of Expenditures of Federal Awards (SEFA).

Context

The SEFA contained the following errors:

1. The Formula Grants for Rural Areas expenditures were overstated by \$22,553.
2. The Highway Planning and Construction expenditures were overstated by \$5,379.
3. The Community Facilities Loans and Grants Cluster was not included, causing expenditures to be understated by \$671,107.
4. Some programs names were incorrect.

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 OF BEDFORD
FEDERAL FINDING
(Continued)

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.
- (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*.

CITY OF BEDFORD
FEDERAL FINDING
(Continued)

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.



Marsha Pfeiffer
BEDFORD CLERK-TREASURER
LAWRENCE COUNTY, INDIANA

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Marsha Pfeiffer
Contact Phone Number: 812-275-1606

Views of Responsible Official: The City of Bedford concurs there was not proper Internal Controls in place to ensure SEFA information was accurate and complete.

Description of Corrective Action Plan:

Additional Internal Controls will be developed to ensure the proper preparation of the SEFA. All individuals that possess the proper knowledge, experience and authority should be assigned the oversight of the review of the SEFA to determine that it is accurate and complete. The Clerk-Treasurer along with the 1st Deputy Clerk-Treasurer will be responsible for obtaining and inputting the information to the SEFA. All Federal Funds received will be verified by the Receipts/Expenditures Ledger and further verified by spreadsheets for each Federal Grant. The Clerk-Treasurer along with input from 1st Deputy Clerk-Treasurer will create the Grant Spreadsheets. It will also be required for each responsible individual to create a spreadsheet for any and all Grant Funds associated with that Department. At the end of each month the Clerk-Treasurer office will email department heads in reference to any Federal funds that may have been received during that month. To further ensure all information is correct the Clerk-Treasurer office will verify the Grant information such as amounts, agency titles and CFDA numbers are correct by utilizing the cfda.gov website and any & all documents that have been provided during the year. Once SEFA is completed it will be reviewed and signed by all responsible individuals.

Anticipated Completion Date: 11-01-2018 (Ongoing)

Marsha Pfeiffer

(Signature)

Clerk-Treasurer

(Title)

10/25/18

(Date)

CLERK-TREASURER
CITY OF BEDFORD
AUDIT RESULT AND COMMENT

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The Clerk-Treasurer certified on the 2017 Annual Financial Report (AFR) in the Indiana Gateway for Government Units financial reporting system that the City had provided all required personnel with internal control training during 2017. During the review of training certification forms for personnel hired during 2017, we identified two employees who were not provided training over the internal control standards adopted as required by Indiana Code 5-11-1-27(g). Therefore, the AFR submitted by the Clerk-Treasurer was incorrect.

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](#)."



Marsha Pfeiffer
BEDFORD CLERK-TREASURER
LAWRENCE COUNTY, INDIANA

OFFICIAL RESPONSE

CERTIFICATION ON INTERNAL CONTROL STANDARDS (2017)

Views of Responsible Official:

The City of Bedford had two new employees who did not receive the training for Internal Control Standards as required by Indiana Code 5-11-1-27(g) and Ordinance 8-2016 as approved by the Common Council. The two individuals were a Park Board member and a Common Council Board member, who were appointed in the middle of the year due to the deaths of the previous board members. All new employees go through the training as part of new employee process with HR. It is determined that HR will need to be made aware when there is a death of a board member and a new member is appointed. The Clerk-Treasurer will need to insure that all employees including Board members have completed the Internal Control Training before certifying on the Annual Report. The Clerk-Treasurer will confirm with HR that all employees as well as Board Members have completed the Internal Control Training.

Anticipated completion: 11-1-2018

Marsha Pfeiffer

Signature

Clerk - Treasurer

Title

11/16/18

Date

CLERK-TREASURER
CITY OF BEDFORD
EXIT CONFERENCE

The contents of this report were discussed on November 8, 2018, with Marsha Pfeiffer, Clerk-Treasurer; Shawna M. Girgis, Mayor; and Byron L. Buker, President Pro Tempore of the Common Council.

COMMON COUNCIL
CITY OF BEDFORD

COMMON COUNCIL
CITY OF BEDFORD
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

During the review of training certification forms for personnel hired in 2017, we identified two new employees did not receive training on internal control standards as required by Indiana Code 5-11-1-27(g) and Ordinance 8-2016 as approved by the Common Council.

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."



Marsha Pfeiffer
BEDFORD CLERK-TREASURER
LAWRENCE COUNTY, INDIANA

OFFICIAL RESPONSE

TRAINING ON INTERNAL CONTROL STANDARDS (2017)

Views of Responsible Official:

The City of Bedford had two new employees who did not receive the training for Internal Control Standards as required by Indiana Code 5-11-1-27(g) and Ordinance 8-2016 as approved by the Common Council. The two individuals were a Park Board member and a Common Council Board member, who were appointed in the middle of the year due to the deaths of the previous board members. All new employees go through the training as part of new employee process with HR. It is determined that HR will need to be made aware when there is a death of a board member and a new member is appointed. Council/Clerk Treasurer will make the newly appointed board member aware that they will need to schedule a time with HR for completing the Internal Control Training.

Anticipated completion: 11-1-2018

Byron E. Baker

Signature

Council President

Title

11-19-2018

Date

COMMON COUNCIL
CITY OF BEDFORD
EXIT CONFERENCE

The contents of this report were discussed on November 8, 2018, with Marsha Pfeiffer, Clerk-Treasurer; Shawna M. Girgis, Mayor; and Byron L. Buker, President Pro Tempore of the Common Council.