

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF GOSHEN

ELKHART COUNTY, INDIANA

January 1, 2016 to December 31, 2016



**FILED**  
01/18/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Tina M. Bontrager Angela McKee	01-01-16 to 12-31-16 01-01-17 to 12-31-19
Mayor	Jeremy P. Stutsman	01-01-16 to 01-01-19
President of the Board of Public Works and Safety	Jeremy P. Stutsman	01-01-16 to 01-01-19
President Pro Tempore of the Common Council	Jim McKee Brett Weddell	01-01-16 to 12-31-17 01-01-18 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF GOSHEN, ELKHART COUNTY, INDIANA

This report is supplemental to our audit report of the City of Goshen (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/](http://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 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 Findings 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

December 4, 2018

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CLERK-TREASURER  
CITY OF GOSHEN

CLERK-TREASURER  
CITY OF GOSHEN  
FEDERAL FINDINGS

***FINDING 2016-001***

Subject: Financial Transactions and Reporting - Internal Controls  
Audit Finding: Material Weakness

*Condition*

There were several deficiencies in the internal control system of the City related to financial transactions and reporting.

*Cash and Investments*

While the month-end bank reconcilements were approved by the appropriate officials, the review was inadequate to ensure that the bank balances agreed to the ledger balances. Not all bank accounts were included in the reconciling process. Immaterial differences occurred on each monthly reviewed reconciliation.

*Receipts*

The City did not have proper controls in place to prevent or detect receipts, which were not timely recorded, were receipted to the wrong fund, or which lacked supporting documentation. The total amount of these receipts was immaterial. Additionally, in the Utilities Office, employees were able to adjust receipts without evidence of an oversight or review process.

*Financial Close and Reporting*

The Clerk-Treasurer submitted the financial information to the Indiana Gateway for Government Units (Gateway), financial reporting system, which was the source of the Annual Financial Report. The Clerk-Treasurer initiated transmission of the financial statement information into Gateway without an effective oversight, review, approval, or other compensating control, to ensure the accuracy of the information submitted.

*Context*

The lack of 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. . . .

CLERK-TREASURER  
CITY OF GOSHEN  
FEDERAL FINDINGS  
(Continued)

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. . . ."

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

*Cause*

Management of the City had not established a proper system of internal control related to the City's financial reporting and transactions.

*Effect*

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

*Recommendation*

We recommended that the City establish a system of internal controls 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.

**FINDING 2016-002**

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). The City did not properly review the federal grant information prepared and submitted in the Indiana Gateway for Government Units financial reporting system, which was the source of the SEFA.

*Context*

Due to the lack of controls, the Highway Planning and Construction Cluster was understated by \$154,330.

Audit adjustments were proposed, accepted by the City, and made to the SEFA.

CLERK-TREASURER  
CITY OF GOSHEN  
FEDERAL FINDINGS  
(Continued)

*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.
- (4) Include the total amount provided to subrecipients from each Federal program.

CLERK-TREASURER  
CITY OF GOSHEN  
FEDERAL FINDINGS  
(Continued)

- (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 the 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 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.



Angie McKee, City Clerk-Treasurer  
CITY OF GOSHEN

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## CORRECTIVE ACTION PLAN

### **FINDING 2016-001**

Contact Person Responsible for Corrective Action: Angie McKee

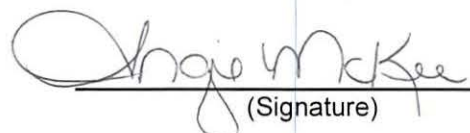
Contact Phone Number: 574-533-8625

Views of Responsible Official: We concur with the findings.

### Description of Corrective Action Plan:

1. Cash and Investments
  - a. We are currently working to rectify the problem and to make sure that all bank accounts including Bank of New York are reconciled at the end of each month.
2. Receipts
  - a. Going forward, we will be working to make sure that receipting is done in a timely manner. Clerk-Treasurer is working with Accounts Receivable staff as we do realize the importance of this issue.
3. Financial Close and Reporting
  - a. The Clerk-Treasurer is going to be working with Umbaugh to make sure that we have all supporting documentation for changes made to the year-end report after the Annual Financial report has been submitted in Gateway. Our preference would be that the Annual Financial Report and year-end report match at the time of submission.

Anticipated Completion Date: Internal controls is an ongoing process and as such there is not a stated completion date. However, the specific items listed above have been added to the work process for year-end. In addition, effective with the 2018 Annual Financial Report, the Clerk-Treasurer will be requesting work papers supporting each section of the Annual Financial Report and will be kept and presented to the auditors upon request by the Clerk-Treasurer.

  
\_\_\_\_\_  
(Signature)

Clerk-Treasurer

\_\_\_\_\_  
(Title)



Angie McKee, City Clerk-Treasurer  
CITY OF GOSHEN  
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## CORRECTIVE ACTION PLAN

### ***FINDING 2016-002***

Contact Person Responsible for Corrective Action: Angie McKee  
Contact Phone Number: 574-533-8625

Views of Responsible Official: We concur with the findings.

### Description of Corrective Action Plan:

1. Preparation of the Schedule of Expenditures of Federal Awards
  - a. The City wishes to eliminate future errors with such actions. When funds are being receipted or expensed, the Clerk-Treasurer will check to make sure that the office has the proper grant paperwork along with the CFDA number and Program Name. If the information is not in the Clerk-Treasurer's office, the Clerk-Treasurer will get a hold of the department head for the proper paperwork and if not received, will hold any future expenses until such paperwork is supplied.

Anticipated Completion Date: We are anticipating a completion date sometime in 2019. However, for the time being it is a work in progress until we get all necessary paperwork from department heads regarding new grants and any old grants that have missing paperwork.

A handwritten signature in black ink that reads "Angie McKee". The signature is written in a cursive style and is positioned above a horizontal line.

(Signature)

Clerk-Treasurer

(Title)

CLERK-TREASURER  
CITY OF GOSHEN  
AUDIT RESULT AND COMMENT

***OVERDRAWN CASH BALANCE***

The Health Insurance Fund was overdrawn at December 31, 2016, in the amount of \$129,526.

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 GOSHEN  
EXIT CONFERENCE

The contents of this report were discussed on December 4, 2018, with Angela McKee, Clerk-Treasurer; Jeremy P. Stutsman, Mayor; Brett Weddell, President Pro Tempore of the Common Council; Julia King, Common Council member; Michael Landis, Board of Public Works and Safety member; Christina Cordell, First Deputy Clerk-Treasurer, Larry A. Barkes, City Attorney; and Tina M. Bontrager, former Clerk-Treasurer.