

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF COLUMBIA CITY

WHITLEY COUNTY, INDIANA

January 1, 2018 to December 31, 2018



**FILED**  
08/09/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rosie Coyle	01-01-16 to 12-31-19
Mayor	Ryan L. Daniel	01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Ryan L. Daniel	01-01-16 to 12-31-19
President Pro Tempore of the Common Council	Walter C. Crowder	01-01-18 to 12-31-19



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF COLUMBIA CITY, WHITLEY COUNTY, INDIANA

This report is supplemental to our audit report of the City of Columbia City (City), for the period from January 1, 2018 to December 31, 2018. 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 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

July 11, 2019

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CLERK-TREASURER  
CITY OF COLUMBIA CITY

CLERK-TREASURER  
CITY OF COLUMBIA CITY  
FEDERAL FINDING

***FINDING 2018-001***

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

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-001.

*Condition*

The City did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Clerk-Treasurer prepared the federal award information entered into the Indiana Gateway for Government Units financial reporting system without a control in place to prevent, or detect and correct, errors prior to submission.

*Context*

The SEFA presented for audit contained the following errors:

1. The Rural Economic Development Loans and Grants expenditures were understated by \$487,530.
2. The Cooperative Forestry Assistance grant was omitted. Expenditures were understated by \$12,974.
3. A state program was listed in error resulting in expenditures being overstated by \$1,657,886. This program also reported an amount as passed through to subrecipients, resulting in an overstatement of \$828,943.

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. . . ."

CLERK-TREASURER  
CITY OF COLUMBIA CITY  
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*.

CLERK-TREASURER  
CITY OF COLUMBIA CITY  
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.

**City Clerk –Treasurer  
112 S. Chauncey St  
Columbia City, IN 46725  
260 248 5112**

**June 19, 2019**

**CORRECTIVE ACTION PLAN**

**FINDING 2018-001**

**Contact Person Responsible for Corrective Action: Rosie Coyle City Clerk  
Treasurer**

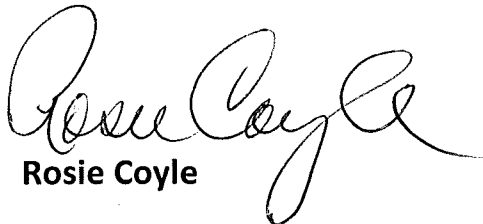
**Contact Phone: 260 248 5112**

**Views of Responsible Official: Clerk Treasurer concurs with finding.**

**Description of Corrective Action Plan:**

**The Clerk Treasurer is working with the Deputy Clerk to review the information  
that is submitted to ensure that the SEFA is correct**

**Anticipated Completion Date: This will be correct with the 2019 submission**



**Rosie Coyle**

**City Clerk Treasurer**

CLERK-TREASURER  
CITY OF COLUMBIA CITY  
AUDIT RESULTS AND COMMENTS

**OVERDRAWN CASH BALANCES**

The same comment also appeared in prior Reports B46016, B51383, B52035, and B52037.

The financial statement presented for audit included the following funds with overdrawn cash balances at December 31, 2018:

Fund	Amount Overdrawn
Park Nonreverting	\$ 19,746
Group Insurance	188,176
Stormwater	91,014

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)

**FINANCIAL TRANSACTIONS**

On May 7, 2018, the City secured a bank loan for \$730,000. As of December 31, 2018, the City had drawn down \$489,922 of the loan. The City did not record the \$489,922 proceeds, nor any of the corresponding disbursements in their financial records. Therefore, these financial transactions were not reported in the 2018 financial statement submitted through the Indiana Gateway for Government Units financial reporting system.

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER  
CITY OF COLUMBIA CITY  
EXIT CONFERENCE

The contents of this report were discussed on July 11, 2019, with Rosie Coyle, Clerk-Treasurer, and Ryan L. Daniel, Mayor.