

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF GREENSBURG

DECATUR COUNTY, INDIANA

January 1, 2018 to December 31, 2018



FILED

09/11/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Ashlee D. Green	01-01-16 to 12-31-19
Mayor	Dan Manus	01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Dan Manus	01-01-18 to 12-31-19
President Pro Tempore of the Common Council	Jamie Cain	01-01-18 to 12-31-19
Superintendent of Water Utility	Rick Denney	01-01-18 to 12-31-19
Superintendent of Wastewater Utility	Jeffrey H. Smith	01-01-18 to 12-31-19
Utility Office Manager	Donna M. Lecher	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 GREENSBURG, DECATUR COUNTY, INDIANA

This report is supplemental to our audit report of the City of Greensburg (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 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

August 22, 2019

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CLERK-TREASURER
CITY OF GREENSBURG

CLERK-TREASURER
CITY OF GREENSBURG
FEDERAL FINDINGS

FINDING 2018-001

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

Condition

Controls were not in place at the City to prevent, detect, and correct errors in the Schedule of Expenditures of Federal Awards (SEFA). The City hired a consultant to prepare the SEFA, without a documented oversight, review, and approval system in place at the City.

Context

The SEFA contained the following errors:

1. Expenditures for three nonfederal grants were incorrectly included on the SEFA, resulting in expenditures being overstated by \$10,285.
2. Expenditures for the Cooperative Forestry Assistance grant were omitted from the SEFA, resulting in an understatement of expenditures by \$4,544.
3. Expenditures for the Highway Planning and Construction Cluster were reported incorrectly, resulting in an understatement of expenditures by \$131,894.
4. The City failed to report the Awarding Agency, Program Title, Project Title, Pass-Through Entity, and CFDA numbers for federal grants.

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

Criteria

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
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FEDERAL FINDINGS
(Continued)

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities. . . .

- Accurate and timely recording of transactions. . . ."

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 section 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 award years, the auditee may list the amount of Federal awards expended for each 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 an effective system of internal control that would have ensured proper reporting of the SEFA.

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FEDERAL FINDINGS
(Continued)

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*.

Views of Responsible Officials

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

Auditor's Response

In the Corrective Action Plan that the City has prepared for this audit finding, they stated that they disagree with the finding due to the fact that they had a consultant reviewing the financial information before it gets submitted via the Indiana Gateway for Government Units reporting financial system. We don't dispute that this review was taking place; however, there was no evidence presented to substantiate that a control was in fact in place at the City. There was no documentation of the review. The City stated in their Corrective Action Plan that they will, moving forward, have documentation that this review prior to submittal is taking place.

FINDING 2018-002

Subject: Highway Planning and Construction Cluster - Cash Management, Matching, and Period of Performance
Federal Agency: Department of Transportation
Federal Program: Highway Planning and Construction
CFDA Number: 20.205
Federal Award Number and Year (or Other Identifying Number): 1400722
Pass-Through Entity: Indiana Department of Transportation
Compliance Requirements: Cash Management; Matching, Level of Effort, Earmarking; Period of Performance
Audit Finding: Material Weakness

Condition

An effective internal control system, which would include segregation of duties, was not in place at the City in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Cash Management; Matching, Level of Effort, Earmarking; and Period of Performance.

The Street Commissioner prepared and submitted all the reimbursement requests for the grant program without any review or oversight. There was no evidence presented for audit that there were internal controls over the compliance requirements listed above.

Context

The lack of internal controls was a systemic issue throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

CLERK-TREASURER
CITY OF GREENSBURG
FEDERAL FINDINGS
(Continued)

(a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards 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 that segregated key functions.

Effect

The failure to establish an effective internal control system placed the City at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could also allow noncompliance with the compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management establish a system of internal controls, including segregation of duties, related to the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

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

Clerk-Treasurer's Office

314 West Washington Street
Greensburg, Indiana 47240

Phone: 812.663.8582

Fax: 812.663.6314



Corrective Action Plan

Contact Person Responsible for Corrective Action: Ashlee Green

Contact Phone Number: 812-663-8582

Views of Responsible Official: Disagree

Description of Corrective Action Plan:

We do have a consultant that reviews the information that is entered into Gateway. The grants were not up to date with information from the past administration to be able to have anything to go off of from year to year. In Gateway, we were not aware that we **only** needed *Federal Grants*. I also sign off on Gateway information stating that the information is true to the best of my knowledge, which this information *was* to the best of my knowledge. Moving forward, I will print out the information and have the consultant or employee sign and date before submitting, but this had never been an issue in any past audit.

Anticipation Completion Date: 12/31/2019

Ashlee Green

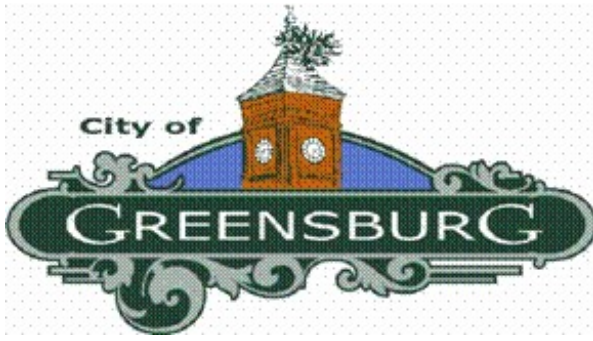
(Signature)

City Clerk-Treasurer

(Title)

08-06-19

(Date)



Greensburg Street Department

Mark Klosterkemper, Street Commissioner
Gary Robbins, Assistant Street Commissioner

CORRECTIVE ACTION PLAN

FINDING 2018-002

Contact Person Responsible for Corrective Action: Mark Klosterkemper
Contact Phone Number: 812-663-5634

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Street Commissioner as the ERC will complete the LPA Invoice Voucher and assemble the required supporting documentation. Prior to signing and submitting the voucher, it will be reviewed by either the City Clerk-Treasurer or Mayor to assure it complies with Cash Management, Matching & Period of Performance Highway Planning and Construction requirements for the duration of the grant contract. A Certificate of Review will be signed by the reviewing party and kept with each voucher.

Anticipated Completion Date: August 7, 2019



(Signature)

Street Commissioner

(Title)

August 7, 2019

(Date)

Greensburg Street Department
200 South Monfort Street
Greensburg, Indiana 47240

Phone 812-663-5634

Fax 812-662-3042

Email

mklosterkemper@greensburg.in.gov

CLERK-TREASURER
CITY OF GREENSBURG
EXIT CONFERENCE

The contents of this report were discussed on August 22, 2019, with Ashlee D. Green, Clerk-Treasurer; Dan Manus, Mayor; Kevin Fleetwood, Common Council member; and Donna M. Lecher, Utility Office Manager.