

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF RICHMOND

WAYNE COUNTY, INDIANA

January 1, 2018 to December 31, 2018



**FILED**  
09/17/2019

*Reissued September 30,  
2020, to correct Finding  
2018-001.*



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
City Controller:	
Federal Finding:	
Finding 2018-001	
Preparation of the Schedule of Expenditures of Federal Awards .....	6-8
Corrective Action Plan .....	9
Exit Conference .....	10
Department of Infrastructure and Development:	
Federal Finding:	
Finding 2018-002	
Economic Adjustment Assistance - Reporting .....	12-13
Corrective Action Plan .....	14
Exit Conference .....	15

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Beth Fields Emily Palmer	01-01-18 to 03-10-19 03-11-19 to 12-31-19
Mayor	Dave Snow	01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Vicki Robinson	01-01-18 to 12-31-19
President of the Common Council	Jamie Lopeman Gary Turner	01-01-18 to 12-31-18 01-01-19 to 12-31-19
President of the Board of Sanitary Commissioners	Suzanne Miller	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 RICHMOND, WAYNE COUNTY, INDIANA

This report is supplemental to our audit report of the City of Richmond (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/](http://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 20, 2019

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CITY CONTROLLER  
CITY OF RICHMOND

CITY CONTROLLER  
CITY OF RICHMOND  
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 control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

There were not adequate controls in place, such as an oversight, review, or approval process, to ensure the accuracy of the information that was entered into the Indiana Gateway for Government Units financial system which was the source of the SEFA.

*Context*

The SEFA presented for audit contained the following errors:

1. The Economic Development Cluster expenditures were overstated by \$564,235.
2. The Airport Improvement Program expenditures were overstated by \$96,851.
3. The Missing Children's Assistance grant expenditures were not included on the SEFA, resulting in an understatement of \$10,745.
4. The Equitable Sharing Program expenditures were overstated by \$10,745.
5. The Recreational Trails Program expenditures were not included on the SEFA, resulting in an understatement of \$12,129.
6. The Clean Water State Revolving Fund Cluster was not included on the SEFA, resulting in an understatement of \$3,486,466.
7. Not all CFDA numbers, program names, grants, and identifying numbers were correct or reported.

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:

CITY CONTROLLER  
CITY OF RICHMOND  
FEDERAL FINDING  
(Continued)

"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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- 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 §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.

CITY CONTROLLER  
CITY OF RICHMOND  
FEDERAL FINDING  
(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* section.

*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 OF RICHMOND

### DEPARTMENT OF FINANCE

50 NORTH FIFTH STREET - RICHMOND, IN 47374  
PHONE (765) 983-7200 - FAX (765) 983-7212

DAVID M. SNOW  
Mayor

EMILY PALMER  
City Controller

## CORRECTIVE ACTION PLAN

### ***FINDING 2018-001***

Contact Person Responsible for Corrective Action: Emily Palmer  
Contact Phone Number: 765-983-7218

#### Views of Responsible Official:

We concur with finding 2018-001. As a result of the errors reported in Finding 2018-001 the Finance Department recognizes a need for additional training and review to ensure accurate reporting of the SEFA.

#### Description of Corrective Action Plan:

The City Controller will train the Deputy Controller to prepare the SEFA. After preparing the SEFA the Deputy Controller will send all supporting documentation and internal reports to the City's Municipal Advisor for review. If any changes are advised and agreed upon they will be made accordingly. The City Controller will review the SEFA and supporting documentation for final approval prior to submitting in Gateway.

Anticipated Completion Date: 3-31-2020

CITY CONTROLLER  
CITY OF RICHMOND  
EXIT CONFERENCE

The contents of this report were discussed on August 20, 2019, with Emily Palmer, City Controller; Dave Snow, Mayor; and Vicki Robinson, President of the Board of Public Works and Safety.

DEPARTMENT OF INFRASTRUCTURE AND DEVELOPMENT  
CITY OF RICHMOND

DEPARTMENT OF INFRASTRUCTURE AND DEVELOPMENT  
CITY OF RICHMOND  
FEDERAL FINDING

***FINDING 2018-002***

Subject: Economic Adjustment Assistance - Reporting  
Federal Agency: Department of Commerce  
Federal Program: Economic Adjustment Assistance  
CFDA Number: 11.307  
Federal Award Number and Year (or Other Identifying Number): 06-36-02088  
Compliance Requirement: Reporting  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-003.

*Condition*

An effective internal control system was not in place at the City in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

The ED-209 report prepared for the period ending March 31, 2018, contained material errors. The City's records did not match the amounts that were submitted on the report. The ED-209 report prepared for the period ending September 30, 2018, also contained errors; however, these errors were identified by the grantor and, subsequently, corrected by the City.

*Context*

The lack of controls was a systemic problem throughout the audit period. Errors were present on both reports submitted.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

DEPARTMENT OF INFRASTRUCTURE AND DEVELOPMENT  
CITY OF RICHMOND  
FEDERAL FINDING  
(Continued)

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

2 CFR 200.302(b)(2) states in part: "Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

*Cause*

Management had not developed a system of internal controls to ensure compliance with the Reporting compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and Reporting compliance requirement to ensure compliance with program requirements.

*Views of Responsible Officials*

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



**FINDING 2018-002**

Contact Person Responsible for Corrective Action: Beth Fields  
Contact Phone Number: 765-983-7211

Views of Responsible Official:

We concur with Finding 2018-002. As a result of the errors reported in Finding 2018-002 the Department of Infrastructure and Development recognizes a need for additional training and review to ensure accurate reporting of the ED-209.

Description of Corrective Action Plan:

Both the preparer of the ED-209 (the Director of the Department of Infrastructure and Development) and the reviewer (the Mayor) of this document now have a better understanding of what should be reported in the section that contained errors. The report will be completed by the Director of Infrastructure and Development and reviewed by the Mayor.

Anticipated Completion Date: Complete

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

City Controller  
\_\_\_\_\_  
(Title)

8.20.19  
\_\_\_\_\_  
(Date)

DEPARTMENT OF INFRASTRUCTURE AND DEVELOPMENT  
CITY OF RICHMOND  
EXIT CONFERENCE

The contents of this report were discussed on August 20, 2019, with Emily Palmer, City Controller; Dave Snow, Mayor; and Vicki Robinson, President of the Board of Public Works and Safety.