

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF WARSAW

KOSCIUSKO COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED
12/16/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Lynne A. Christiansen	01-01-20 to 12-31-21
Mayor	Dr. Joseph M. Thallemer	01-01-20 to 12-31-21
President of the Board of Public Works and Safety	Dr. Joseph M. Thallemer	01-01-20 to 12-31-21
President Pro Tempore of the Common Council	Jack Wilhite	01-01-20 to 12-31-21



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF WARSAW, KOSCIUSKO COUNTY, INDIANA

This report is supplemental to our audit report of the City of Warsaw (City), for the period from January 1, 2020 to December 31, 2020. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement Audit Report of the City, which provides our opinions on the City's financial statement. This report may be found at www.in.gov/sboa/.

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 Official Response to the Audit Result and Comment, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

December 1, 2021

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CLERK-TREASURER
CITY OF WARSAW

CLERK-TREASURER
CITY OF WARSAW
AUDIT RESULT AND COMMENT

ACCOUNTING FOR CORONAVIRUS RELIEF FUND

Condition and Context

The City did not properly account for the Coronavirus Relief Fund (CRF) in accordance with the options outlined in State Examiner Directive 2020-3 (Directive).

The City created a fund that they entitled CARES Act Provider Relief. The CARES Provider Relief Fund name was reserved for a specified CARES purpose and should be numbered 264. In this case, it was numbered 150, and instead of it being used for CARES Provider Relief purposes, it was used to account for the CRF money received from the Indiana Finance Authority (IFA). So, while the name convention was incorrect, the fund number would be appropriate for IFA receipts.

The City receipted the CRF IFA reimbursement for payroll, totaling \$368,122, into the CARES Act Provider Relief fund (CARES fund). The City then transferred a portion of the payroll reimbursement from the CARES fund to the General Fund per their ordinance. However, the remaining payroll reimbursement remained in the CARES fund and was used to pay several non-payroll expenditures, totaling \$83,082. The non-payroll expenditures were paid directly from the CARES fund without appropriation after the Directive was issued. The expenditures upon which the reimbursement requests were based should have been recorded in the CARES fund or the reimbursed amount transferred through the claims process to the General Fund which would have allowed the money to be expended for any general unit purpose. Either of these two methods would have allowed for the proper processing and recording of CRF expenditures.

Criteria

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options.

Option One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and re-appropriate the general fund (or other fund) in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

CLERK-TREASURER
CITY OF WARSAW
AUDIT RESULT AND COMMENT
(Continued)

Once the disbursement is reversed within the general fund (or other fund), it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once option one is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

Option Two. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020**

Framework Three. If you have created a negative balance in your CARES fund based on expenditures made in anticipation of receipt of reimbursement for allowable expenditures where invoices have already been submitted to IFA then leave as is and receipt reimbursement when received, bringing the balance in the separate CARES grant fund to zero. Going forward, expend any anticipated allowable expenditures from a fund with an appropriation and follow framework one. If a negative balance in the CARES grant fund is not fully reimbursed, then the unreimbursed amount will require a reverse entry and posting of the expenditure to the general or other appropriate fund within an appropriated line item.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund.** (State Examiner Directive 2020-3)

CLERK-TREASURER
CITY OF WARSAW
EXIT CONFERENCE

The contents of this report were discussed on December 1, 2021, with Lynne A. Christiansen, Clerk-Treasurer; Kelly Geiger, Deputy Clerk-Treasurer; Dr. Joseph M. Thallemer, Mayor; Jack Wilhite, President of the Common Council; Cindy Dobbins, Common Council member; Josh Finch, Common Council member; Jerry Frush, Common Council member; Michael Klondaris, Common Council member; and Diane J. Quance, Common Council member.