

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF BEECH GROVE

MARION COUNTY, INDIANA

January 1, 2018 to December 31, 2020



FILED
06/20/2022

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Certification on Internal Control Standards	6
Internal Control over Receipts and Financial Close and Reporting	6-7
Motor Vehicle Highway (MVH) - Restricted Fund	7-8
Exit Conference	9
Common Council:	
Audit Result and Comment:	
Training on Internal Control Standards	12
Exit Conference	13

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Daniel McMillan James Coffman	01-01-18 to 12-31-19 01-01-20 to 12-31-22
Mayor	Dennis Buckley	01-01-18 to 12-31-22
President of the Board of Public Works and Safety	Dennis Buckley	01-01-18 to 12-31-22
President Pro Tempore of the Common Council	Buddy Templin Gary Hall Robert Ferguson	01-01-18 to 12-31-19 01-01-20 to 12-31-20 01-01-21 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE CITY OF BEECH GROVE, MARION COUNTY, INDIANA

This report is supplemental to our audit report of the City of Beech Grove (City), for the period from January 1, 2018 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 Statements Audit Report of the City, which provides our opinions on the City's financial statements. 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 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 Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

June 2, 2022

(This page intentionally left blank.)

CLERK-TREASURER
CITY OF BEECH GROVE

CLERK-TREASURER
CITY OF BEECH GROVE
AUDIT RESULTS AND COMMENTS

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The same comment appeared in prior Report B51791.

Condition and Context

The Clerk-Treasurer certified that all applicable City employees were provided internal control training. However, documentation that training on internal control standards was provided to all required personnel was not presented for audit.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

INTERNAL CONTROLS OVER RECEIPTS AND FINANCIAL CLOSE AND REPORTING

Condition and Context

The City had not properly designed or implemented internal controls over receipts or financial close and reporting.

Receipts

There was no verifiable internal controls in place, such as an oversight, review, or approval process to ensure their accuracy. As a result of this deficiency, the following errors were noted:

- The December 2018 Police Pension property tax distribution in the amount of \$16,083 was incorrectly posted to the Fire Pension fund.
- The April 2019 Motor Vehicle Highway (MVH) distribution in the amount of \$28,612 was incorrectly posted to the Local Road and Street fund instead of to the MVH Restricted fund.
- The June 2019 MVH distribution was incorrectly posted entirely to the Motor Vehicle Highway fund when half in the amount of \$25,854 should have been posted to the MVH Restricted fund.

Financial Close and Reporting

The City did not have an effective internal control system over financial reporting. The Clerk-Treasurer was primarily responsible for inputting and submitting the Annual Financial Report into the Indiana Gateway for Government Units financial reporting system, which was the source of the City's financial statements. There were no verifiable internal controls in place, such as an oversight, review, or approval process to ensure the accuracy of the financial information prior to submission.

CLERK-TREASURER
CITY OF BEECH GROVE
AUDIT RESULTS AND COMMENTS
(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. . . ."

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted. (State Examiner Directive 2018-2)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

Motor Vehicle Highway (MVH) State Distributions are to be allocated between the Motor Vehicle Highway fund and MVH Restricted fund. During 2019, the April distribution, totaling \$28,612, was posted to the Local Road and Street fund instead of MVH Restricted fund. In June 2019, the MVH state distribution, totaling \$51,708, was posted entirely to the Motor Vehicle Highway fund in error. Half of the distribution totaling \$25,854 should have been posted to the MVH Restricted fund.

Criteria

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted. (State Examiner Directive 2018-2)

Indiana Code 8-14-1-5(c) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

CLERK-TREASURER
CITY OF BEECH GROVE
AUDIT RESULTS AND COMMENTS
(Continued)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
CITY OF BEECH GROVE
EXIT CONFERENCE

The contents of this report were discussed on June 2, 2022, with James Coffman, Clerk-Treasurer; Dennis Buckley, Mayor; Robert Ferguson, President Pro Tempore of the Common Council; and Angie Hofmann, Deputy Clerk.

(This page intentionally left blank.)

COMMON COUNCIL
CITY OF BEECH GROVE

COMMON COUNCIL
CITY OF BEECH GROVE
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

The same comment appeared in prior Report B51791.

Condition and Context

Documentation that training on internal control standards was only provided for office staff. No documentation was presented for other personnel.

Criteria

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

COMMON COUNCIL
CITY OF BEECH GROVE
EXIT CONFERENCE

The contents of this report were discussed on June 2, 2022, with James Coffman, Clerk-Treasurer; Dennis Buckley, Mayor; Robert Ferguson, President Pro Tempore of the Common Council; and Angie Hofmann, Deputy Clerk.