

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF GARRETT

DEKALB COUNTY, INDIANA

January 1, 2019 to December 31, 2021



FILED
12/08/2022

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Annual Financial Report - Supplementary Schedules	6
MVH Restricted Fund Receipts.....	6
Accounting of the IFA Administered CRF Money	7-8
Exit Conference	9

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Marcie Conkle	01-01-19 to 12-31-22
Mayor	Todd Fiandt	01-01-19 to 12-31-22
President of the Board of Public Works and Safety	Todd Fiandt	01-01-19 to 12-31-22
President Pro Tempore of the Common Council	Brad Stump Todd Sattison	01-01-19 to 12-31-19 01-01-20 to 12-31-22
Superintendent of Water Utility	Patrick Kleeman	01-01-19 to 12-31-22
Superintendent of Wastewater Utility	Bruce Schlosser Marcia Coe	01-01-19 to 12-31-21 01-01-22 to 12-31-22
Superintendent of Electric Utility	Dave Vanderbosch	01-01-19 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF GARRETT, DEKALB COUNTY, INDIANA

This report is supplemental to our audit report of the City of Garrett (City), for the period from January 1, 2019 to December 31, 2021. 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

November 29, 2022

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CLERK-TREASURER
CITY OF GARRETT

CLERK-TREASURER
CITY OF GARRETT
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT - SUPPLEMENTARY SCHEDULES

A similar comment also appeared in prior Report B53690, entitled *ANNUAL FINANCIAL REPORT - SUPPLEMENTARY SCHEDULES*.

Condition and Context

The City underreported federal expenditures by \$26,529 in 2019 and \$366,737 in 2021 on its Schedule of Expenditures of Federal Awards (SEFA), which was prepared each year using the online Indiana Gateway for Government Units (Gateway) financial reporting system. It is important that all federal grant receipts are reported on the Gateway Report since this determines whether the City will be a federal or nonfederal audit.

The Schedule of Leases and Debt, which was prepared each year using Gateway, contained material errors. The ending principal balance reported was overstated by \$284,420 and the principal and interest due within one year amount was understated by \$169,926.

The Schedule of Capital Assets, which was prepared each year using Gateway, had not been properly maintained by the City. The City did not maintain a complete detailed listing of capital assets owned. The capital assets totals reported in the Annual Financial Report were based upon additions and deletions added to the previous year.

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](#)."

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

MVH RESTRICTED FUND RECEIPTS

Condition and Context

The City did not allocate at least 50 percent of the State Motor Vehicle Highway (MVH) distributions to the MVH Sub Fund at the time of receipt for 8 of the 36 distributions tested.

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)

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

ACCOUNTING OF THE IFA ADMINISTERED CRF MONEY

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 did not properly establish a separate CARES grant fund for the CRF grant that followed the uniform chart of accounts. The City established fund 256 entitled, Cares Provider Relief fund (CARES fund) instead of following the *Accounting and Appropriation of COVID-19 Grants* memo dated April 29, 2020, which indicated the City could utilize any fund number between 150-175 and the *Cares Act Fund Numbers* memo dated April 20, 2020, which indicated the City should use fund number 264 specifically for Medicare fee-for-service reimbursements.

The City receipted the Indiana Finance Authority (IFA) reimbursement of \$207,315 for public health and safety payroll costs into the CARES fund in January 2021. The reimbursed amount should have been transferred through the claims process to the General fund, which would have allowed the money to be expended for any general unit purpose. Instead, the City paid for non-payroll expenditures directly from the CARES fund. These expenditures were made without appropriation.

The City had a balance of \$17,974 in the CARES fund at December 31, 2021. This amount should immediately be claimed to the General fund, this would allow for the money to be expended for any general unit purpose with appropriation.

Criteria

Each local unit of government that receives an allocation from the Coronavirus Relief Fund administered by IFA shall establish a separate CARES grant fund with a fund number consistent with memorandum *Accounting and Appropriation of COVID-19 Grants, April 29, 2020* (updated September 29, 2020).

All Reimbursements received from IFA shall be receipted into a separate CARES grant fund that is specific to IFA reimbursements.

Reimbursed Public Health and Safety Payroll Costs

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.

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. . . .

CLERK-TREASURER
CITY OF GARRETT
AUDIT RESULTS AND COMMENTS

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.* . . .**

(State Examiner Directive 2020-3)

CLERK-TREASURER
CITY OF GARRETT
EXIT CONFERENCE

The contents of this report were discussed on November 29, 2022, with Marcie Conkle, Clerk-Treasurer; Todd Fiandt, Mayor; and Tom Kleeman, Common Council member.