

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF LADOGA

MONTGOMERY COUNTY, INDIANA

January 1, 2012 to December 31, 2013



FILED

05/08/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Viki L. Powers	01-01-12 to 12-31-15
President of the Town Council	James B. Cox	01-01-12 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF LADOGA, MONTGOMERY COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Ladoga (Town), for the period from January 1, 2012 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the Town. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the Town, which provides our opinions on the Town's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Finding, identified in the above referenced audit report, is included in this report.

Any Corrective Action Plan for the Federal Finding, incorporated within this report, was not verified for accuracy.

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

April 3, 2014

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CLERK-TREASURER
TOWN OF LADOGA

CLERK-TREASURER
TOWN OF LADOGA
FEDERAL FINDINGS

FINDING 2013-001 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO COMMUNITY DEVELOPMENT BLOCK GRANT/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII

Federal Agency: Department of Housing and Urban Development

Federal Program: Community Development Block Grant/State's
Program and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): DR2-09-190

Pass-Through Entity: Indiana Office of Community and Rural Affairs

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Cash Management, Davis-Bacon, Equipment and Real Property Management, and Period of Availability. The failure to establish an effective internal control system places the Town at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with 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 grant.

Cash Management

The Town has not designed or implemented adequate policies or procedures to ensure that required reimbursement requests were accurately prepared and timely submitted. The Clerk-Treasurer was solely responsible for preparing and submitting the Requests for Reimbursement of program expenditures. There was no segregation of duties, such as an oversight or approval process.

CLERK-TREASURER
TOWN OF LADOGA
FEDERAL FINDINGS
(Continued)

Davis-Bacon, Equipment and Real Property Management, and Period of Availability

The Town has not designed or implemented adequate policies or procedures to ensure compliance with applicable program requirements. The Clerk-Treasurer was solely responsible for administering the grant; there was no other monitoring of grant activities. An oversight or review process has not been established to ensure compliance with applicable program requirements.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Non-compliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the Town.

We recommended that the Town's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.



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Corrective Action Plan

Contact Person: Viki L. Powers

Contact Information: Phone: 765-942-2531; Email: townofladogain@sbcglobal.net

FINDING 2013-001 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO COMMUNITY DEVELOPMENT BLOCK GRANT\STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII

Federal Agency: Department of Housing and Urban Development

Federal Program: Community Development Block Grant\State's Program and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): DR2-09-190

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Ladoga has implemented the following internal controls in regards to compliance requirements:

1. Cash Management

The Town recognizes that to save substantial cost the Clerk-Treasurer is also the Grant Administrator (GA); therefore there is a certain lack of internal control in regards to Grant Administrator prepared documents. In the future, grant pay applications will be reviewed and signed by the Council President when the Clerk-Treasurer is also the GA. Auditor stated that the Clerk-Treasurer could possibly change the amount of grant payment applied for. However, as an internal control, the grant pay application amount must be certified by the licensed engineer of the project, with their seal, and this certification must be attached to the pay application; therefore IOCRA would only pay the engineer certified amount even if the pay application was different. That being said, the Town will continue to save the taxpayers upwards of \$40,000 by using the Clerk-Treasurer as the Grant Administrator, being diligent in the future in ensuring there are more than one set of eyes reviewing and signing off on all documents.

2. Davis-Bacon:

The Town recognizes that to save substantial cost Clerk-Treasurer is also the Grant Administrator and Labor Standards Officer; therefore only one person reviewed the submitted payrolls. In the future, the Town will designate a Council person to certify the receipt of weekly payrolls from the contractors. That being said, the Town would like to point out that Clerk-Treasurers are not provided with the training to "verify" that Federal Davis-Bacon wages are being paid properly, and signing off, stating that they are verifying the pay could, inadvertently, place the Clerk-Treasurer in a noncompliant situation. After discussions with the funding agency, IOCRA, the Town believes this finding is unsupported and should be a comment only due to the fact that IOCRA requires a certified administrator to perform this task.

3. Equipment and Real Property Management:

The Town of Ladoga has maintained complete and true Fixed Asset records from 1998 until present. The Town has never been required to keep document of a second party verifying what is placed in the record in the past. During the last 10 years, the billing clerk and Clerk-Treasurer have compiled the fixed asset list together; however, the worksheet documents were not retained. In the future, the Town will maintain the initialed worksheet to verify that the list has been reviewed. Because 2013's worksheet was available, verifying that this control was in place, the Town feels this finding is unsupported and should only be a comment.

4. Period of Availability:

Auditor noted that the Town needed to document the grant end date other places, rather than just on the grant agreement. The Town would like to note that the DR2 grant required a "quarterly" semi-annual report be submitted. The Town submitted the report in a timely manner and the report contained the following:

Grant begin date

Grant end date

Drawdowns to date

Remaining grant funds available

Local match funds spent

Signature of Council President.

We believe this report satisfies the Period of Availability requirements and this finding is unsupported and should only be a comment. However, to insure the Town in in full compliance, in the future, a report will be established for Council's monthly meeting packet, with the grant total, the funds expended to date, and the end date established.

Sincerely,



Viki L. Powers
Clerk-Treasurer, Town of Ladoga
3/18/2014

CLERK-TREASURER
TOWN OF LADOGA
EXIT CONFERENCE

The contents of this report were discussed on April 3, 2014, with Viki L. Powers, Clerk-Treasurer, and James B. Cox, President of the Town Council.