

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

NEVINS TOWNSHIP

VIGO COUNTY, INDIANA

January 1, 2012 to December 31, 2013



FILED
02/06/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Mark Newport	01-01-11 to 12-31-14
Chairman of the Township Board	Cory Roberts	01-01-12 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE NEVINS TOWNSHIP, VIGO COUNTY, INDIANA

This report is supplemental to our audit report of the Nevins Township (Township), 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 and Audit Results and Comments that pertain to the Township. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the Township, which provides our opinions on the Township's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

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 Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

December 11, 2014

NEVINS TOWNSHIP, VIGO COUNTY
FEDERAL FINDINGS

**FINDING 2013-001 - INTERNAL CONTROLS AND COMPLIANCE
OVER FINANCIAL TRANSACTIONS AND REPORTING**

We noted several deficiencies in the internal control system of the Township related to financial transactions and reporting.

1. Lack of Segregation of Duties: The Township has not separated incompatible activities related to cash, receipts, and disbursements including payroll. The Township Trustee does all of the receipting and disbursing for the Township. The Township Clerk does the reconciliation but no one reviews the reconciliation. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.
2. Monitoring of Controls: An evaluation of the Township's system of internal control has not been conducted. The failure to monitor the internal control system places the Township at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the Township has no process to identify or communicate corrective actions to improve controls. To have effective internal controls over financial reporting it requires the Township to monitor and assess the quality of the system of internal control.
3. The Nevins Township Water Project funds were not included in the Township's ledger. The financial information entered into the Annual Financial Report on the Gateway System was used to compile the financial statement. The receipts and disbursements were not included for the Nevins Township Water Project fund for 2013 in the Annual Financial Report. This caused the receipts and disbursements on the financial statement to be understated by \$3,570,791. Audit adjustments were proposed, accepted by the Township, and made to the financial statement included in this report.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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."

NEVINS TOWNSHIP, VIGO COUNTY
FEDERAL FINDINGS
(Continued)

FINDING 2013-002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Township 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). The Township Trustee gathers the information, inputs information into the Gateway Annual Report, which is used to compile the SEFA, and no one else reviews the information prior to submittal of the Annual Report.

The Township should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: disbursements for 2012 were understated by \$1,171,145 and disbursements for 2013 were overstated by \$1,332,335. Audit adjustments were proposed, accepted by the Township, and made to the SEFA presented in this report.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section.310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards: The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. 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 award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual 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 shall be included.
- (3) Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.

NEVINS TOWNSHIP, VIGO COUNTY
FEDERAL FINDINGS
(Continued)

- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

***FINDING 2013-003 - INTERNAL CONTROL OVER ABANDONED
MINE LAND RECLAMATION (AMLR) PROGRAM***

Federal Agency: US Department of the Interior

Federal Program: Abandoned Mine Land Reclamation (AMLR) Program

CFDA Number: 15.252

Federal Award Number and Year (or Other Identifying Number): 300RC1182031001 - FY 2012

Pass-Through Entity: Indiana Department of Natural Resources

Management of the Township has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Cash Management; Procurement, Suspension, and Debarment; and Subrecipient Monitoring.

There is no segregation of duties or oversight by the Township Board for the Cash Management; Procurement, Suspension, and Debarment; and Subrecipient Monitoring compliance requirements.

The failure to establish an effective internal control system places the Township 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 program.

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 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."

NEVINS TOWNSHIP, VIGO COUNTY
FEDERAL FINDINGS
(Continued)

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the Township.

We recommended that the Township's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

FINDING 2013-004 - SUBRECIPIENT MONITORING

Federal Agency: US Department of the Interior

Federal Program: Abandoned Mine Land Reclamation (AMLR) Program

CFDA Number: 15.252

Federal Award Number and Year (or Other Identifying Number): 300RC1182031001 - FY 2012

Pass-Through Entity: Indiana Department of Natural Resources

The Township did not comply with all of Subrecipient Monitoring compliance requirements. The Township did not provide the CFDA title and number and the Federal Award name and number to its subrecipients as required by federal guidelines.

OMB Circular A-133, Subpart D, section .400(d) states in part:

"Pass-through entity responsibilities. A pass-through entity shall perform the following for the Federal awards it makes:

- (1) Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R & D, and name of Federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award. . . ."

By not providing identifying information on the Federal Awards, subrecipients will have a hard time identifying if money received from the Township is federal monies and whether they are in need of a Federal audit.

We recommended that the Township develop procedures to ensure that the Township communicate to subrecipients the CFDA title and number and the Federal Award name and number for proper reporting.

Nevins Township

CORRECTIVE ACTION PLAN

FINDING 2013-001, INTERNAL CONTROLS AND COMPLIANCE OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Mark Newport
Contact Phone Number: 812-870-0429

Description of Corrective Action Plan: **Lack of Segregation of Duties;** *The Trustee of the Township will: Write all checks, Clerk is to record all disbursements in Township General Ledger book. Clerk to reconcile bank statements and sign the back of the bank statement after review. Trustee will review and sign the bank statements also.*

Description of Corrective Action Plan: **Monitoring of Controls;** *We will put all of the financial records for the Water Project in the Township ledger in a place separate from other Township moneys. All Money received form the Federal Government will be reported in the Gateway Program.*
Anticipated Completion Date:

FINDING 2013-002, PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action: Mark Newport
Contact Phone Number: 812-870-0429

Description of Corrective Action Plan: *The Trustee or the Clerk of the Township did not understand that the moneys were to be reported in the Gateway System (due to the lack of training by the state) or that the moneys had to be tracked in the Township ledger book. We had a spread sheet showing all incoming and outgoing of moneys that balanced to the penny however that spreadsheet could have been misplaced. We now understand how these moneys are to be reported and will convey this information to the Advisory Board and pass it along to the next Trustee.*

Anticipated Completion Date: 06/01/2015

FINDING 2013-003, INTERNAL CONTROL OVER ABANDONED MINE LAND RECLAMATION (AMLR) PROGRAM

Contact Person Responsible for Corrective Action: Mark Newport
Contact Phone Number: 812-870-0429

Description of Corrective Action Plan: *Nevins Township will make sure that in the future on all Federal projects the Trustee and the Township Advisory Board will review all invoices. After review is complete the Trustee will write all checks, Clerk is to record all disbursements in Township General Ledger book. Clerk to reconcile bank statements and sign the back of the bank statement after review. Trustee will review and sign the bank statements. There will be an annual review by the Township Advisory Board*

FINDING 2013-004, SUBRECIPIENT MONITORING

Contact Person Responsible for Corrective Action: Mark Newport
Contact Phone Number: 812-870-0429

Description of Corrective Action Plan: Nevins Township *In the future when receiving Federal funds, The Township will comply with all federal regulations concerning the CFDA title and number and Federal award name and number, and will provide that information to the subrecipients. The Township will review the grant requirements and have a written plan to insure that all requirements are met.*

Mark Newport
(Signature)

NEVINS TOWNSHIP TRUSTEE
(Title)

12/27/2014
(Date)

NEVINS TOWNSHIP, VIGO COUNTY
AUDIT RESULTS AND COMMENTS

ADVANCE PAYMENTS

The Township paid \$2,711.70 of compensation to Mark Newport, Trustee, in advance of the actual date the services were provided.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Funds</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Township	2012	\$ 33,141
Township Assistance	2012	4,190
Fire Fighting	2012	25,274
Township	2013	2,179
Township Assistance	2013	1,804

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliation contained a deposit in transit for \$1,850 in error.

As of December 31, 2013, the bank account reconciliation identified a cash short in the amount of \$1,602.47.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

COMPENSATION AND BENEFITS

Compensation and benefits were overpaid to the Township Board members Cory Roberts, Kelly Hartzler, and Bob Mooreland. The Township Board members were overpaid \$100 each for 2012 and 2013. The Township will be responsible to collect the overpayment.

NEVINS TOWNSHIP, VIGO COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CONDITION OF RECORDS

Financial records presented for audit contained the following deficiencies:

1. The water project was not included on the ledger. The receipts and disbursements for 2012 totaled \$1,171,145 and for 2013 totaled \$3,570,791.
2. The January 2012 CAGIT distribution for \$690 was posted to the Fire Fighting fund instead of the Township fund.
3. The June, July, August, September, and October 2013 CAGIT distribution for \$3,868 was not posted to the ledger.
4. The December 2013 CVET distribution for \$241 was posted to the wrong funds. The entire amount was posted to the Township fund.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

TIMELY DEPOSITS

Local distributions were deposited later than the first and fifteenth of the month in 33 percent of the receipts tested. Several distributions were up to two months late of being deposited.

A similar comment was included in prior Report B41750.

Indiana Code 5-13-6-1(c) states in part: ". . . public funds collected by township trustees shall be deposited in the designated depository on or before the first and fifteenth day of each month."

OVERDRAWN CASH BALANCE

The financial statement presented in this report included the following fund with an overdrawn cash balance at December 31, 2013:

<u>Fund</u>	<u>Amount Overdrawn</u>
Payroll Fund	<u>\$ 1,663</u>

NEVINS TOWNSHIP, VIGO COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

PROVING FINANCIAL AND APPROPRIATION RECORD

We noted appropriation records for payroll withholdings not being reconciled to the total fund balances.

A similar comment was included in prior Report B41750.

The record is to be proved at the close of each month and reconciled with the monthly bank statement or statements. As pages become fully posted, lines 3 to 34 inclusive, or for as many lines are used in a month, the items are to be totaled for all columns. After checking off the township checks returned paid by the bank or banks, list the checks, outstanding, immediately following the totals, on the first full page of the Financial and Appropriation Record. The total receipts of all separate funds must agree with the control Column A-1, and the total disbursements of all separate funds must agree with the control Column A-2, plus the balance carried in Column M-7. The total balances in all funds must agree with the control Column A-3, minus the balance in Column M-7.

After the funds have been proved to the control account, prove the various appropriation expenditures of each fund to total disbursements for each fund. As a check, the total of all appropriation (numbered) accounts must equal the total of Column A-2, plus the balance of Column M-7.

The amount shown in Column A-3 (all funds) should be the same as the balance given by the bank or banks, less the checks outstanding. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 3)

PUBLIC RECORDS RETENTION

The W2s for 2012 were not presented for audit. In addition, several receipts, invoices, and supporting documentation were not retained and available for audit.

Indiana Code 5-15-6-3(f) states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

RESOLUTION ESTABLISHING SALARIES

The resolution establishing salaries of Township officers and employees, was not passed by the Township Board for 2012 or 2013.

A similar comment was included in prior Report B41750.

NEVINS TOWNSHIP, VIGO COUNTY
 AUDIT RESULTS AND COMMENTS
 (Continued)

Indiana Code 36-6-6-10(b) states:

(b) The township legislative body shall fix the:

- (1) salaries;
- (2) wages;
- (3) rates of hourly pay; and
- (4) remuneration other than statutory allowances; of all officers and employees of the township."

SUPPORTING DOCUMENTATION

We noted the following disbursements did not include supporting documentation to support the purchase.

<u>Date</u>	<u>Amount</u>	<u>Payee</u>	<u>Township Description of Purchase</u>
02-10-13	\$ 1,398	United States Treasury	Social Security withholding
04-03-13	557	Indiana Department of Revenue	withholding tax
12-03-13	<u>28</u>	Postmaster	stamps
Totals	<u>\$ 1,983</u>		

Due to the lack of supporting information, we could not verify the stated purpose of these disbursements.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

TIMELY PAYMENTS

The Township did not pay their claims timely. There were numerous invoices on file that had an outstanding balance from the previous month and a Vectren invoice that included a disconnect notice.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

NEVINS TOWNSHIP, VIGO COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 11, 2014, with Mark Newport, Trustee; Deborah A. Beard, Township Clerk; and Cory Roberts, Chairman of the Township Board.