

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF FLORA

CARROLL COUNTY, INDIANA

January 1, 2013 to December 31, 2014



FILED
01/22/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Joretta L. Tinsman	01-01-12 to 12-31-15
President of the Town Council	Joshua S. Ayres	01-01-13 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDIANAPOLIS, INDIANA 46204-2769

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TO: THE OFFICIALS OF THE TOWN OF FLORA, CARROLL COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Flora (Town), for the period from January 1, 2013 to December 31, 2014. 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 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 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 Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

October 15, 2015

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CLERK-TREASURER
TOWN OF FLORA

CLERK-TREASURER
TOWN OF FLORA
FEDERAL FINDINGS

FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING

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

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to the achievement of financial reporting objectives. The Town has not separated incompatible activities related disbursements and financial close and reporting.

The Clerk-Treasurer prepares, records, and approves all disbursements for the Clerk-Treasurer's Office. The Town Council approves an Accounts Payable Voucher listing of claims ready for payment, but does not properly monitor actual disbursements by the Clerk-Treasurer's Office. In addition, the Clerk-Treasurer independently prepares and submits the Gateway Annual Financial Report which is used to generate the financial statement. There is no segregation of duties such as an oversight, review, or approval process over these activities.

2. Monitoring of Controls: An evaluation of the Town's system of internal control has not been conducted. The failure to monitor the internal control system places the Town 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 Town has no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting require the Town to monitor and assess the quality of the system of internal control.

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.

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 Cities and Towns, Chapter 7)

FINDING 2014-002 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We noted a deficiency in the internal control system of the Town related to the Schedule of Expenditures of Federal Awards (SEFA).

The Town should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. The Town's SEFA is prepared and submitted by the Clerk-Treasurer without proper review or approval before submission. Without a proper system of internal control in place that operates effectively, misstatements of the SEFA could remain undetected.

CLERK-TREASURER
TOWN OF FLORA
FEDERAL FINDINGS
(Continued)

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 Cities and Towns, Chapter 7)

FINDING 2014-003 - CASH MANAGEMENT, MATCHING, AND PERIOD OF AVAILABILITY

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/State's Program
and Non-Entitlement Grants in Hawaii
CFDA Number: 14.228
Federal Award Number: B*13*DC180001CF-12-114 and B*13*DC180001DR2-09-248
Pass-Through Entity: Indiana Lieutenant Governor's Office

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Cash Management, Matching, and Period of Availability compliance requirements.

The Town hired a Grant Administrator to ensure that the Town was in compliance with requirements of the program. The Town did not have controls in place to properly monitor the Grant Administrator's activities in relation to the Matching and Period of Availability requirements. In addition, the Clerk-Treasurer was responsible for compliance with Cash Management requirements; however, there was no oversight, review, or approval process.

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 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.

CLERK-TREASURER
TOWN OF FLORA
FEDERAL FINDINGS
(Continued)

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. Noncompliance with the grant agreement or the compliance requirements 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 compliance requirements that have a direct and material effect on the program.

TOWN COUNCIL

Joshua S. Ayres

Vincent Seward

Darrell Yoder

www.townofflora.org



CLERK/TREASURER

Joretta L. Tinsman

clerk@townofflora.org

4 E. Main Street

Flora, IN 46929

Ph. 574-967-4844

Fax 574-967-4971

CORRECTIVE ACTION PLAN

FINDING 2014-001 ~ Financial Transaction and Reporting

Contact Person Responsible for Corrective Action: Joretta L. Tinsman
Contact Phone Number: 574-967-4844

Description of Corrective Action Plan:

1. When the Clerk-Treasurer completes the Annual Report on the Gateway system it will be printed and all figures will be checked by the Deputy Clerk-Treasurer to make sure accurate information was entered before the report is submitted on Gateway. Deputy will sign off on the printed report and it will be retained in the Annual Report documentation file.
2. When the Clerk-Treasurer has an Invoice that is not approved by a Department Head or Supervisor of a Department, the Voucher will be reviewed and signed by a Council Member or the Deputy Clerk-Treasurer.

Anticipated Completion Date:

1. By the next Annual Report due date.
2. Will begin this procedure immediately.


Joretta L. Tinsman

Clerk-Treasurer
(Title)

10/15/2015

TOWN COUNCIL

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Vincent Seward

Darrell Yoder

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CORRECTIVE ACTION PLAN

FINDING 2014-002 ~ Schedule of Expenditures of Federal Awards

Contact Person Responsible for Corrective Action:
Contact Phone Number:

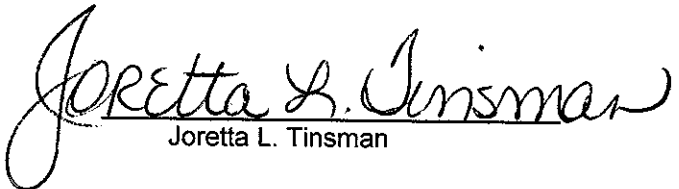
Joretta L. Tinsman
574-967-4844

Description of Corrective Action Plan:

After the Clerk-Treasurer enters the Schedule of Expenditures of Federal Awards (SEFA) information on Gateway, it will be printed off and the Deputy Clerk-Treasurer will review the document to determine that all information entered is accurate. Deputy Clerk-Treasurer will sign the printed document and then the SEFA will be submitted. The signed document will be retained in the Grant Award file.

Anticipated Completion Date:

1. When another Federal Grant is awarded and posted on Gateway.


Joretta L. Tinsman

Clerk-Treasurer
(Title)

10/15/2015

TOWN COUNCIL

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CORRECTIVE ACTION PLAN

FINDING 2014-003 ~ Cash Management, Matching and Period of Availability

Federal Agency: Department of Housing and Urban Development

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

CFDA Number 14.228

Federal Award Number and Year: B*13*DC180001CF-12-114 and B*13*DC180001DR2-09-248

Pass-Through Entity: Lieutenant Governor's Office

Contact Person Responsible for Corrective Action:

Joretta L. Tinsman

Contact Phone Number:

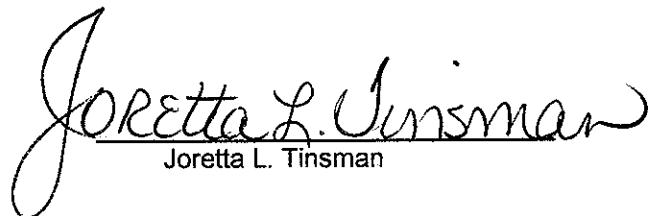
574-967-4844

Description of Corrective Action Plan:

This was our first Grant awarded under this Clerk-Treasurer's Tenure. The Town hired a Grant Administrator to handle the management of the Grant. The amounts submitted by the Grant Administrator for payment were in agreement with the amounts submitted by the Contractor performing the work. Clerk-Treasurer created a spreadsheet to monitor the Escrow withheld from each payment. In the future the Clerk-Treasurer will more closely monitor what is submitted by the Grant Administrator and develop documentation to monitor their activities, submittals and the availability periods.

Anticipated Completion Date:

1. When another Federal Grant is awarded.


Joretta L. Tinsman

Clerk-Treasurer

(Title)

10/15/2015

CLERK-TREASURER
TOWN OF FLORA
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The financial statement presented for the audit included an overdrawn cash balance of \$4,190 for the Water Operating fund at December 31, 2014.

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 Cities and Towns, Chapter 7)

APPROPRIATIONS

The records presented for audit indicated that the Cum Sewer Fund expenditures were in excess of budgeted appropriations by \$31,513 for 2014.

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."

CLERK-TREASURER
TOWN OF FLORA
EXIT CONFERENCE

The contents of this report were discussed on October 15, 2015, with Joretta L. Tinsman, Clerk-Treasurer, and Joshua S. Ayres, President of the Town Council.

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TOWN COUNCIL
TOWN OF FLORA

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FEDERAL FINDINGS

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TOWN OF FLORA
FEDERAL FINDINGS
(Continued)

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Pass-Through Entity: Indiana Lieutenant Governor's Office

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Cash Management, Matching, and Period of Availability compliance requirements.

The Town hired a Grant Administrator to verify that the Town was in compliance with requirements that have a direct and material effect on the program. The Town did not have controls in place to properly monitor the Grant Administrator's activities in relation to the Matching and Period of Availability requirements. In addition, the Clerk-Treasurer was responsible for compliance with Cash Management requirements; however, there was no oversight, review, or approval process.

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 program.

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CORRECTIVE ACTION PLAN

FINDING 2014-001 ~ Financial Transaction and Reporting

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2. When the Clerk-Treasurer has an Invoice that is not approved by a Department Head or Supervisor of a Department, the Voucher will be reviewed and signed by a Council Member or the Deputy Clerk-Treasurer.

Anticipated Completion Date:

1. By the next Annual Report due date.
2. Will begin this procedure immediately.

A handwritten signature in black ink, appearing to read "Joshua S. Ayres", is written over a horizontal line.

Joshua S. Ayres

President Town Council
(Title)

10/15/2015

TOWN COUNCIL

Joshua S. Ayres

Vincent Seward

Darrell Yoder

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Contact Person Responsible for Corrective Action:
Contact Phone Number:

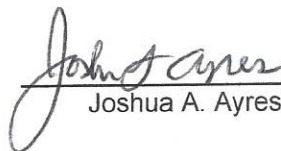
Joretta L. Tinsman
574-967-4844

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Anticipated Completion Date:

1. When another Federal Grant is awarded.


Joshua A. Ayres

President Town Council
(Title)

10/15/2015

TOWN COUNCIL
TOWN OF FLORA
EXIT CONFERENCE

The contents of this report were discussed on October 15, 2015, with Joretta L. Tinsman, Clerk-Treasurer, and Joshua S. Ayres, President of the Town Council.