

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF BOURBON

MARSHALL COUNTY, INDIANA

January 1, 2011 to December 31, 2012



**FILED**  
01/29/2016



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#### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kimberly A. Berger	01-01-08 to 12-31-15
President of the Town Council	Les McFarland	01-01-11 to 12-31-15



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

Telephone: (317) 232-2513  
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Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE TOWN OF BOURBON, MARSHALL COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Bourbon (Town), for the period from January 1, 2011 to December 31, 2012. 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/](http://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

October 28, 2015

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CLERK-TREASURER  
TOWN OF BOURBON

CLERK-TREASURER  
TOWN OF BOURBON  
FEDERAL FINDINGS

***FINDING 2012-001 - FINANCIAL TRANSACTIONS AND REPORTING***

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

1. Lack of Segregation of Duties: The Town has not separated incompatible activities related to Cash and Investments, Receipts, and Disbursements, including Payroll. The Clerk-Treasurer performs all aspects of the Cash and Investments, Receipts, Disbursements, and Payroll processes without oversight. 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 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.

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 2012-002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The Town 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).

One individual gathers information, compiles, certifies, submits, and presents the SEFA for audit. This lack of segregation of duties and lack of oversight resulted in the following material errors on the SEFA presented for audit:

1. The Department of Transportation grants were not included.
2. CFDA numbers were not included.
3. Clusters were not properly identified.
4. Federal Grantor Agencies were not included.
5. Program names were not correct.



CLERK-TREASURER  
TOWN OF BOURBON  
FEDERAL FINDINGS  
(Continued)

The Town 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.

Audit adjustments were proposed, accepted by the Town, 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 Cities and Towns, Chapter 7)

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 in part:

"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 total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available."

CLERK-TREASURER  
TOWN OF BOURBON  
FEDERAL FINDINGS  
(Continued)

***FINDING 2012-003 - INTERNAL CONTROL OVER COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII***

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 Numbers: DR2-09-184 and DR2-09-141  
Pass-Through Entity: Indiana Office of Community and Rural Affairs (OCRA)

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 following compliance requirements: Cash Management, Davis-Bacon Act, Matching, Period of Availability of Federal Funds, Procurement and Suspension and Debarment, Reporting, and Special Tests and Provisions - Environmental Oversight and Environmental Reviews. The failure to establish an effective internal control system places the Town at risk of noncompliance with the grant agreement and the compliance requirements mentioned. 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.

The Town relied upon a Grant Administrator to ensure 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 these compliance requirements. There was no oversight, review, or approval process.

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 will be prevented, 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 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. 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 listed above.

## CORRECTIVE ACTION PLAN

**FINDING 2012-001**

Contact Person Responsible for Corrective Action: Kimberly A. Berger, Clerk-Treasurer  
Contact Phone Number: 574-342-4755

Description of Corrective Action Plan: The Town of Bourbon will work on implementing an internal control system. As Clerk-Treasurer, I basically perform all aspects of Cash, investments, receipts, disbursements and payroll processes. However, I do have a part-time Deputy Clerk-Treasurer that also performs these tasks as well. We are a small town with limited employees. The Town Council has monthly reviews of the disbursements, payrolls, cash and investment totals before the monthly council meetings. The Federal Grant was overseen by the Grant Writer and I will be more involved in the paper work if a Federal Grant is awarded in the future.

**FINDING 2012-002**

Contact Person Responsible for Corrective Action: Kimberly A. Berger, Clerk-Treasurer  
Contact Phone Number: 574-342-4755

Description of Corrective Action Plan: The Town of Bourbon put their trust in the Grant Writer and the Engineering firms that were awarded the job to compile and submit the proper paperwork to be in compliance for this Federal Grant. The Town of Bourbon is implementing an internal control system to make sure that the inconsistencies in reporting of this Federal grant does not happen in the future. In reviewing OMB Circular A-133 Subpart C, myself, as the auditee, will be responsible for making sure that the schedule of expenditures is done correctly and overseen by myself.

**FINDING 2012-003**

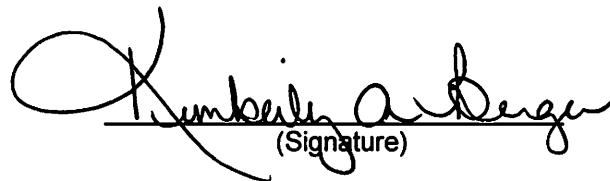
Contact Person Responsible for Corrective Action: Kimberly A. Berger, Clerk-Treasurer  
Contact Phone Number: 574-342-4755

Description of Corrective Action Plan: The Town of Bourbon is working on an internal control system and segregation of duties per grant requirements and compliance. Work related to the grant will be checked by the Clerk-Treasurer and Deputy Clerk-Treasurer.

*Drug-Free Workplace • Equal Opportunity Employer*

KIMBERLY A. BERGER • CLERK-TREASURER • 574.342.4755 • FAX 574.342.3205  
POLICE 574.342.3105 • STREET 574.342.0079 • WATER AND SEWER 574.342.0223

Anticipated Completion Date: April 30, 2016

  
(Signature)

Clerk-Treasurer  
(Title)

October 28, 2015  
(Date)

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POLICE 574.342.3105 • STREET 574.342.0079 • WATER AND SEWER 574.342.0223

CLERK-TREASURER  
TOWN OF BOURBON  
AUDIT RESULT AND COMMENT

***PENALTIES, INTEREST, AND OTHER CHARGES***

The Town paid penalties, interest, and other charges in the amount of \$181 because not all payments were remitted on a timely basis.

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 Cities and Towns, Chapter 7)

CLERK-TREASURER  
TOWN OF BOURBON  
EXIT CONFERENCE

The contents of this report were discussed on October 28, 2015, with Kimberly A. Berger, Clerk-Treasurer, and Les McFarland, President of the Town Council.

TOWN COUNCIL  
TOWN OF BOURBON

TOWN COUNCIL  
TOWN OF BOURBON  
FEDERAL FINDING

***FINDING 2012-004 - SPECIAL TEST AND PROVISIONS - CITIZEN PARTICIPATION***

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: DR2-09-141

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

*Internal Controls*

The 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 Special Tests and Provisions - Citizen Participation requirements. The failure to establish an effective internal control system places the Town at risk of noncompliance with the grant agreement and the compliance requirement. 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.

The Town has not designed or implemented adequate policies and procedures to ensure compliance with the requirements for Special Test and Provisions - Citizen Participation.

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 Citizen Participation compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis. 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."



TOWN COUNCIL  
TOWN OF BOURBON  
FEDERAL FINDING  
(Continued)

*Compliance*

The Town was not in compliance with the Special Tests and Provisions - Citizen Participation. The program requires the Town to hold at least two public hearings with their citizens before the submission of the application for the grant; however, the Town held only one public hearing for the Lift Station project.

CFR 24 570.486(a)(5) states in part:

- "(5) Provide for a minimum of two public hearings, each at a different stage of the program, for the purpose of obtaining residents' views and responding to proposals and questions. Together the hearings must cover community development and housing needs (including affirmatively furthering fair housing), development of proposed activities, and a review of program performance. The public hearings to cover community development and housing needs must be held before submission of an application to the State. There must be reasonable notice of the hearings and they must be held at times and accessible locations convenient to potential or actual beneficiaries, with accommodations for persons with disabilities. Public hearings shall be conducted in a manner to meet the needs of non-English speaking residents where a significant number of non-English speaking residents can reasonably be expected to participate; . . ."

The failure to establish adequate internal controls enabled 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 to ensure compliance and comply with the grant agreement and the Special Test and Provisions - Citizen Participation requirements of the program.

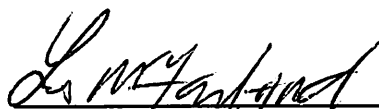
CORRECTIVE ACTION PLAN

**FINDING 2012-004**

Contact Person Responsible for Corrective Action: Les McFarland, Council President  
Contact Phone Number: 574-342-4755

Description of Corrective Action Plan: The Town of Bourbon will work on establishing adequate internal controls to ensure compliance and comply with the grant agreement and Citizen Participation requirements of the programs that they Town receives in the future.

Anticipated Completion Date: April 30, 2016



Les McFarland  
President Town Council  
Wednesday, October 28, 2015

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TOWN COUNCIL  
TOWN OF BOURBON  
AUDIT RESULT AND COMMENT

***BOARD MINUTES MISSING DETAILS***

The minutes of the meetings of the governing body, prepared by the Town Attorney, did not provide adequate details. There were instances where information regarding a vote taken was not included. There were also instances where more detailed information was indicated as available upon request, but the detailed information was not available.

Indiana Code 5-14-1.5-4(b) states:

"As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5."

TOWN COUNCIL  
TOWN OF BOURBON  
EXIT CONFERENCE

The contents of this report were discussed on October 28, 2015, with Les McFarland, President of the Town Council, and Kimberly A. Berger, Clerk-Treasurer.