

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MICHIANA AREA COUNCIL OF GOVERNMENTS

ST. JOSEPH COUNTY, INDIANA

July 1, 2014 to June 30, 2015



FILED
07/29/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Sandra M. Seanor James J. Turnwald	07-01-14 to 08-01-14 08-02-14 to 06-30-16
Fiscal Accounting Manager	Deborah Gardner	07-01-14 to 06-30-16
Chairman of the Board	Judy Stone Larry Thompson Joseph Thallemer	01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16



STATE OF INDIANA
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TO: THE OFFICIALS OF THE MICHIANA AREA COUNCIL OF
GOVERNMENTS, ST. JOSEPH COUNTY, INDIANA

This report is supplemental to our audit report of the Michiana Area Council of Governments (MACOG), for the period from July 1, 2014 to June 30, 2015. 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 MACOG. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the MACOG, which provides our opinions on the MACOG'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 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 Finding 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

May 11, 2016

MICHIANA AREA COUNCIL OF GOVERNMENTS
FEDERAL FINDING

FINDING 2015-001 - REPORTING

Federal Agency: U.S. Department of Transportation
Federal Program: Federal Transit_Formula Grants
CFDA Number: 20.507
Federal Award Numbers: IN-90-X646, IN-95-X030, IN-95-X042, IN-95-X047

Condition

An effective internal control system, which would include segregation of duties, was not in place at the Michiana Area Council of Governments (MACOG) in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

The Fiscal Accounting Manager prepared and submitted the Quarterly Financial Reports without a documented review by other MACOG staff. There was no segregation of duties, such as an oversight, review, or approval process.

Context

This applies only to the Quarterly Financial Reports. The Monthly Reimbursement Request Reports and Annual Financial Report processes both included documented reviews.

Criteria

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."

MICHIANA AREA COUNCIL OF GOVERNMENTS
FEDERAL FINDING
(Continued)

Cause

Management did not develop a system of internal controls that segregated key functions related to the quarterly reports.

Effect

The failure to establish an effective internal control system could have placed the MACOG 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.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the MACOG's management establish controls, including segregation of duties, related to the grant agreement and the Reporting compliance requirement. 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.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan, which is part of this report.

CORRECTIVE ACTION PLAN

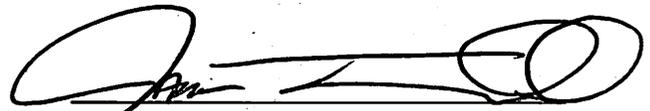
FINDING 2015-001 - Reporting

Contact Person Responsible for Corrective Action: James Turnwald
Contact Phone Number: 574-287-1829

Description of Corrective Action Plan:

1. The Fiscal Accounting Manager will prepare the FTA Federal Financial Reports (FFR).
2. Prior to submittal to FTA, the Fiscal Accounting Manager will have the Fiscal Accounting Coordinator review the FFR. The Fiscal Accounting Coordinator will initial a hard copy of the document to indicate that they have completed their review.
3. Prior to submittal to FTA, the Executive Director will review and approve. The Executive Director will initial a hard copy of the document to indicate that they have completed their review and approved.

Anticipated Completion Date: April 30, 2016



James Turnwald, Executive Director

05/11/16 Date

MICHIANA AREA COUNCIL OF GOVERNMENTS
AUDIT RESULTS AND COMMENTS

PENALTIES, INTEREST, AND OTHER CHARGES

The Michiana Area Council of Governments (MACOG) paid penalties, interest, and other charges to the Indiana Department of Revenue in the amount of \$257 because the MACOG did not remit payments 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 Special Districts, Chapter 10)

CREDIT CARDS

MACOG used credit cards to purchase items without an approved credit card policy.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.

MICHIANA AREA COUNCIL OF GOVERNMENTS
AUDIT RESULTS AND COMMENTS
(Continued)

3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

MICHIANA AREA COUNCIL OF GOVERNMENTS
EXIT CONFERENCE

The contents of this report were discussed on May 11, 2016, with James J. Turnwald, Executive Director; Joseph Thallemer, Chairman of the Board; and Deborah Gardner, Fiscal Accounting Manager.