

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF CROTHERSVILLE

JACKSON COUNTY, INDIANA

January 1, 2012 to December 31, 2013



FILED

09/11/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Michelle Teipen Terry L. Richey	01-01-12 to 03-13-14 03-14-14 to 12-31-15
President of the Town Council	Ardell Mitchell	01-01-12 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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TO: THE OFFICIALS OF THE TOWN OF CROTHERSVILLE, JACKSON COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Crothersville (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 Findings, identified in the above referenced audit report, are included in this report.

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. 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, incorporated within this report, was not verified for accuracy.

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

July 8, 2015

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CLERK-TREASURER
TOWN OF CROTHERSVILLE

CLERK-TREASURER
TOWN OF CROTHERSVILLE
FEDERAL FINDINGS

FINDING 2013-001 - 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). 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.

During the audit of the SEFA, we noted that grant information for one federal program in the amount of \$1,936,000 was not properly reported.

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:

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.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.

CLERK-TREASURER
TOWN OF CROTHERSVILLE
FEDERAL FINDINGS
(Continued)

- (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 2013-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

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 to receipts, utility billings and collections, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

Cash and Investments - Bank reconcilements presented for audit do not indicate proper oversight of monthly bank reconcilements being performed. The 2nd Deputy Clerk-Treasurer prepares the monthly bank reconcilements and these are given to the Clerk-Treasurer to review and approve. No evidence was presented for audit to document this review.

Receipts - One employee in the Clerk-Treasurer's Office is responsible for issuing receipts, making deposits, and posting receipt transactions. The activity related to receipts was not subjected to a review process.

2. Monitoring of Controls : Effective internal control over financial reporting requires the Town Council to monitor and assess the quality of the Town's system of internal control. The Town Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.

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)

CLERK-TREASURER
TOWN OF CROTHERSVILLE
FEDERAL FINDINGS
(Continued)

FINDING 2013-003 - DAVIS-BACON ACT

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 (or Other Identifying Number): DR2-09-198
Pass-Through Entity: Indiana Office of Community and Rural Affairs

Management of the Town has not established an effective internal control system related to the grant agreement and the compliance requirements related to the Davis-Bacon Act.

The Town hired a Grant Administrator to help administer the grant requirements, including the requirements over the Davis-Bacon Act for labor standards. Compliance requirements included monitoring of certified payrolls filed by contractors and subcontractors, as applicable. However, the Town did not retain copies of the certified payrolls reviewed by the Grant Administrator to document that the Town monitored to ensure that the compliance requirements were being met.

The failure to establish an effective internal control system places the Town at risk of noncompliance with the grant agreement and the compliance requirements. An internal control system 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. This is accomplished by making sure proper oversight, reviews, and approvals take place over certain activities related to the program.

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 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 and implement controls related to the grant agreement and the compliance requirements related to the Davis-Bacon Act.

TOWN OF CROTHERSVILLE

111 East Howard Street
Crothersville Indiana 47229
812-793-2311 * 812-793-2315

CORRECTIVE ACTION PLAN

FINDING 2013-001: **PREPARATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

DESCRIPTION OF CORRECTIVE ACTION PLAN:

In the future, our office will make sure that federal grant awards are reported properly and on time on the annual report. After entering the grant schedule on Gateway, the report will be submitted to the governing board for their approval.

ANTICIPATED COMPLETION DATE: Plan being immediately implemented.

FINDING 2013-002: **INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

DESCRIPTION OF CORRECTIVE ACTION PLAN:

Our office will work together to see that controls are in place in the handling of all financial transactions and reporting. We will verify work done by others, sign and date in order to comply with the internal controls required by the State Board of Accounts.

ANTICIPATED COMPLETION DATE: Plan being immediately implemented.

FINDING 2013-003: **DAVIS-BACON**

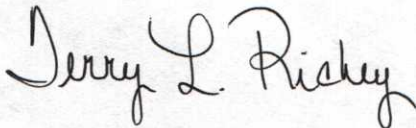
DESCRIPTION OF CORRECTIVE ACTION PLAN:

On any future construction projects, the town will work together with our contracted administrator, ARa, Administrative Resources association, to see that the requirements of the Davis-Bacon act are met by holding monthly meetings between the governing board and ARa.

ANTICIPATED COMPLETION DATE: Plan being immediately implemented.

CONTACT PERSON RESPONSIBLE FOR ALL CORRECTIVE ACTIONS: Terry L. Richey
CONTACT PHONE NUMBER: 812-793-2311

Sincerely,



Terry L. Richey, Clerk Treasurer
Town of Crothersville

I AGREE WITH THE CORRECTIVE ACTION PLANS BEING PUT INTO PLACE TO COMPLY WITH THE STATE BOARD OF ACCOUNTS REQUIREMENTS.



Ardell Mitchell, Town Council President
Town of Crothersville

CLERK-TREASURER
TOWN OF CROTHERSVILLE
EXIT CONFERENCE

The contents of this report were discussed on July 8, 2015, with Terry L. Richey, Clerk-Treasurer; Ardell Mitchell, President of the Town Council; and Lenvel W. Robinson, Council member.

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TOWN COUNCIL
TOWN OF CROTHERSVILLE

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TOWN OF CROTHERSVILLE
FEDERAL FINDINGS
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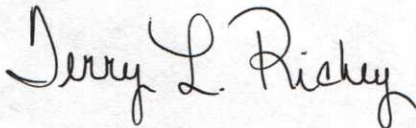
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CONTACT PERSON RESPONSIBLE FOR ALL CORRECTIVE ACTIONS: Terry L. Richey
CONTACT PHONE NUMBER: 812-793-2311

Sincerely,



Terry L. Richey, Clerk Treasurer
Town of Crothersville

I AGREE WITH THE CORRECTIVE ACTION PLANS BEING PUT INTO PLACE TO COMPLY WITH THE STATE BOARD OF ACCOUNTS REQUIREMENTS.



Ardell Mitchell, Town Council President
Town of Crothersville

TOWN COUNCIL
TOWN OF CROTHERSVILLE
EXIT CONFERENCE

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