

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF NORTH MANCHESTER

WABASH COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
05/19/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Carrie Mugford	01-01-12 to 12-31-19
President of the Town Council	Christopher Garber (deceased)	01-01-14 to 12-16-15
	(Vacant)	12-17-15 to 12-31-15
	James Smith	01-01-16 to 12-31-17
Town Manager	Daniel Hannaford	01-01-14 to 08-31-14
	(Vacant)	09-01-14 to 10-19-14
	Dave Schoeff	10-20-14 to 06-01-16
	Carrie Mugford (interim)	06-02-16 to 09-06-16
	Adam Penrod	09-07-16 to 12-31-17



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 NORTH MANCHESTER, WABASH COUNTY, INDIANA

This report is supplemental to our audit report of the Town of North Manchester (Town), for the period from January 1, 2014 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 Finding, identified in the above referenced audit report, is included in this report and should be viewed in conjunction with the Audit Result and Comment 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 Result and Comment 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 Result and Comment, incorporated within this report, were not verified for accuracy.

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

March 13, 2017

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CLERK-TREASURER
TOWN OF NORTH MANCHESTER

CLERK-TREASURER
TOWN OF NORTH MANCHESTER
FEDERAL FINDING

FINDING 2014-001 - Davis-Bacon Act

Federal Agency: Environmental Protection Agency
Federal Program: Capitalization Grants for Clean Water State Revolving Funds
CFDA Number: 66.458
Federal Award Number and Year (or Other Identifying Number): WW13038501, 2014
Pass-Through Entity: Indiana Finance Authority

Condition

Management of the Town had not established an effective internal control system related to the grant agreement and the Davis-Bacon Act compliance requirement. The following deficiency constituted a material weakness.

Monitoring procedures were not in place at the Town in order to verify compliance with requirements related to the grant agreement and the Davis-Bacon Act compliance requirement. The Town paid an independent contractor to provide grant administration services for the Capitalization Grants for Clean Water State Revolving Funds. The Town relied solely on communications with the independent contractor to determine compliance with the Davis-Bacon Act.

Context

Internal control issues were systemic, occurring throughout the audit period.

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. . . ."

CLERK-TREASURER
TOWN OF NORTH MANCHESTER
FEDERAL FINDING
(Continued)

Cause

Management had not developed an effective system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system placed the Town at risk of noncompliance with the grant agreement and the Davis-Bacon Act compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

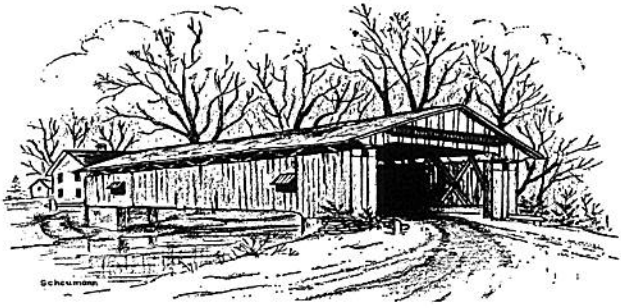
There were no questioned costs identified.

Recommendation

We recommended that the Town's management establish controls related to the grant agreement and the Davis-Bacon Act compliance requirement.

Views of Responsible Officials

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



Town of North Manchester

103 East Main Street
North Manchester, Indiana 46962
Phone: 260-982-9800 Fax: 260-982-7428

Clerk-Treasurer

Carrie Mugford, IAMC
cmugford@nmanchester.org

North Manchester Town Council

Jim Smith, Laura Rager
Chalmer Tobias, Tom Dale, Allen Miracle

Carrie Mugford
Clerk-Treasurer

Finding 2014-001

Contact person responsible for corrective action: Carrie Mugford
Contact phone number: 260-982-9800

Views of responsible official:

We concur with the finding.

Description of corrective action plan:

1. The town will continue to enhance our internal controls and improve our oversight functions.
2. The town has instituted a segregation of duties, to ensure compliance with both the grant agreement and the Davis Bacon compliance requirements.
3. The town will commit to training of employees involved in projects with federal funding so that they understand the requirements of the Davis Bacon Act.

Anticipated completion date: Immediately.

Carrie Mugford
(Signature)

Clerk-Treasurer
(Title)

3-13-17
(Date)

JW Smith
(Signature)

President / Town Council
(Title)

03.13.2017
(Date)

CLERK-TREASURER
TOWN OF NORTH MANCHESTER
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The financial statement presented for audit included the General fund with an overdrawn cash balance of \$1,883 at December 31, 2014. This was the result of uncaptured revenue in the amount of \$22,760.

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 unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF NORTH MANCHESTER
EXIT CONFERENCE

The contents of this report were discussed on March 13, 2017, with Carrie Mugford, Clerk-Treasurer; Adam Penrod, Town Manager; and James Smith, President of the Town Council.

TOWN COUNCIL
TOWN OF NORTH MANCHESTER

TOWN COUNCIL
TOWN OF NORTH MANCHESTER
FEDERAL FINDING

FINDING 2014-001 - Davis-Bacon Act

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TOWN COUNCIL
TOWN OF NORTH MANCHESTER
FEDERAL FINDING
(Continued)

Cause

Management had not developed an effective system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system placed the Town at risk of noncompliance with the grant agreement and the Davis-Bacon Act compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

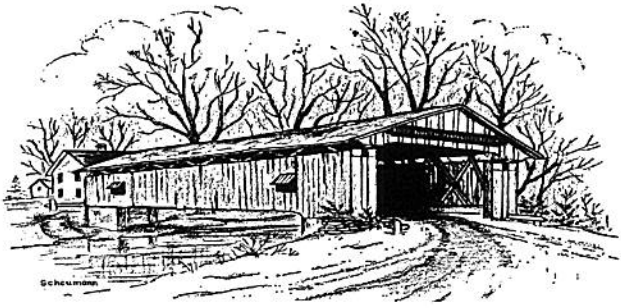
There were no questioned costs identified.

Recommendation

We recommended that the Town's management establish controls related to the grant agreement and the Davis-Bacon Act compliance requirement.

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Town of North Manchester

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Clerk-Treasurer

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cmugford@nmanchester.org

North Manchester Town Council

Jim Smith, Laura Rager
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Carrie Mugford
Clerk-Treasurer

Finding 2014-001

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3. The town will commit to training of employees involved in projects with federal funding so that they understand the requirements of the Davis Bacon Act.

Anticipated completion date: Immediately.

Carrie Mugford
(Signature)

Clerk-Treasurer
(Title)

3-13-17
(Date)

JW Smith
(Signature)

President/Town Council
(Title)

03.13.2017
(Date)

TOWN COUNCIL
TOWN OF NORTH MANCHESTER
EXIT CONFERENCE

The contents of this report were discussed on March 13, 2017, with James Smith, President of the Town Council.