

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SOUTHERN INDIANA DEVELOPMENT COMMISSION

MARTIN COUNTY, INDIANA

January 1, 2015 to December 31, 2015



FILED
08/15/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Greg Jones	01-01-15 to 12-31-17
Treasurer	John Wilkes Joe Yochum	01-01-15 to 12-31-16 01-01-17 to 12-31-17
President of the Executive Board	Mike Healy	01-01-15 to 12-31-17



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TO: THE OFFICIALS OF THE SOUTHERN INDIANA DEVELOPMENT
COMMISSION, MARTIN COUNTY, INDIANA

This report is supplemental to our audit report of the Southern Indiana Development Commission (Commission), for the period from January 1, 2015 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the Commission. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the Commission, which provides our opinions on the Commission'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.

Any Corrective Action Plan for the Federal Finding, incorporated within this report, was not verified for accuracy.

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

June 14, 2017

SOUTHERN INDIANA DEVELOPMENT COMMISSION
FEDERAL FINDING

***FINDING 2015-001 - PREPARATION OF THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS***

This is a repeat of Finding 2014-001 from the immediate prior year.

Condition

The Commission 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 SEFA presented for audit contained the following errors:

1. Three programs' expenditures were overstated in total by \$390,335 and one program's expenditures were understated by \$1,586.
2. Only two programs' expenditures were passed through to subrecipients, but all federal program expenditures were reported as passed through to subrecipients.
3. Five program names were incorrect.

Audit adjustments in the amount of \$388,749 were proposed, accepted by the Commission, and made to the SEFA.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

SOUTHERN INDIANA DEVELOPMENT COMMISSION
FEDERAL FINDING
(Continued)

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition*.

Views of Responsible Officials

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



CORRECTIVE ACTION PLAN

May 26, 2017

Contact Person Responsible for Corrective Action: Greg Jones, Executive Director
Contact Phone Number: (812) 295-3707

Anticipated Completion Date: May 26, 2017

Finding 2015-001 – PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Southern Indiana Development Commission has implemented the following control below that will be effective on the next Gateway report submission that was submitted for 2016. The control will provide reasonable assurance that the 2016 SEFA presentation will be materially correct.

The Administrative Specialist will fill out the Gateway Grant Schedule of Expenditures and the grant administrators that are responsible for the project will look over the federal grants to make sure the amounts are correct and if the grant is a pass through or direct grant and the correct program names. The Administrative Specialist will review Grant Agreements, State EFT reports (ACH Notifications) as well as <http://www.cfda.gov> to determine the correct names. Following these steps should eliminate most issues however SIDC still will have problems with determining breakdown of Federal vs. State Funding the Federal Transit Programs that change year to year. The State EFT reports do not give the breakdown and will therefore require SIDC to engage with a State Board of Accounts representative to look up the information for SIDC's behalf and inform SIDC of any State Funds that have been added into the program.

SIDC will engage with the State Examiner Paul Joyce to ensure training is made available to Special Districts and additional training is performed across the State of Indiana for municipalities with regards to properly filling out the SEFA form.

Sincerely,

Greg Jones
Executive Director

SOUTHERN INDIANA DEVELOPMENT COMMISSION
EXIT CONFERENCE

The contents of this report were discussed on June 14, 2017, with Mike Healy, President of the Executive Board; Greg Jones, Executive Director; and Janice Taylor, Administrative Specialist.