

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

NORTHWESTERN INDIANA REGIONAL
PLANNING COMMISSION
PORTER COUNTY, INDIANA

January 1, 2017 to December 31, 2017



FILED
09/28/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2017-001	
Account Balances, Financial Transactions, and Financial Reporting.....	4-5
Finding 2017-002	
Highway Planning and Construction - Suspension and Debarment.....	5-7
Corrective Action Plan.....	8-9
Exit Conference.....	10

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Ty Warner	01-01-17 to 12-31-18
Chief Financial Officer	Angie Hayes (Vacant) Daria Sztaba	01-01-17 to 08-11-17 08-12-17 to 11-26-17 11-27-17 to 12-31-18
Chairman of the Commission	Michael Griffin Geof Benson	01-01-17 to 12-31-17 01-01-18 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE NORTHWESTERN INDIANA REGIONAL
PLANNING COMMISSION, PORTER COUNTY, INDIANA

This report is supplemental to our audit report of the Northwestern Indiana Regional Planning Commission (Commission), for the period from January 1, 2017 to December 31, 2017. 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 Statements 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 Findings, identified in the above referenced audit report, are included in this report.

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

September 20, 2018

NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
FEDERAL FINDINGS

FINDING 2017-001

Subject: Account Balances, Financial Transactions, and Financial Reporting
Audit Finding: Material Weakness

Condition

There were deficiencies in the internal control system of the Commission related to account balances, financial transactions and financial reporting. The Commission had not separated incompatible activities related to Revenue, Accounts Receivable, Net Position, Net Pension Obligation, and financial reporting. Control procedures established to ensure the accuracy of Capital Assets were not effective.

Revenue

Receipts were entered into the accounting software by one employee and posted to the accounting software by the same employee. Bank reconciliations, which were performed by another employee, included a list of deposits and receipts; however, the fund into which they were receipted was not listed. There was no documentable review of revenue.

Accounts Receivable and Net Position

The account balances for Accounts Receivable and Net Position were prepared by one employee without a review or oversight process to ensure the accuracy of the balances.

Net Pension Obligation

The calculations for Net Pension Obligation, including corresponding deferred outflows and deferred inflows, were prepared by one employee without a review or oversight process to ensure the accuracy of the calculations.

Capital Assets

The Commission had a control procedure in place to ensure the accuracy of the reported capital assets; however, the control did not operate effectively. The original capital asset documentation provided for audit did not support the amounts reported on the financial statements. The Commission then provided complete capital asset documentation and adjusted the amounts reported on the financial statements.

Financial Reporting

The Commission did not have adequate internal controls over financial reporting to facilitate the preparation of accurate and complete financial statements. One individual prepared the financial statements and notes to the financial statements. A proper system of oversight or review was not in place to ensure that the financial information gathered was accurate and supported by the Commission's records.

Context

The lack of effective controls was a systemic issue throughout the audit period.

NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
FEDERAL FINDINGS
(Continued)

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. . . ."

Cause

Management of the Commission had not established a proper system of internal control that segregated key functions.

Effect

The failure to establish effective controls could have enabled misstatements or irregularities to remain undetected.

Recommendation

We recommended that the Commission establish a system of internal controls related to account balances and financial transactions and financial reporting.

Views of Responsible Officials

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

FINDING 2017-002

Subject: Highway Planning and Construction - Suspension and Debarment

Federal Agency: U.S. Department of Transportation

Federal Program: Highway Planning and Construction

CFDA Number: 20.205

Federal Award Numbers and Years (or Other Identifying Numbers): 0017804837, 0018801273
HSIP-0016816485

Pass-Through Entity: Indiana Department of Transportation

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
FEDERAL FINDINGS
(Continued)

Condition

An effective internal control system was not in place at the Commission in order to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement. The Commission did not have effective internal controls in place to ensure that the suspension and debarment requirements of 2 CFR 180.300 were met.

The Commission failed to provide evidence that a search of the Excluded Parties List Systems through the System of Award Manager Center was conducted, that certification from the entity was collected, or that a clause or condition was added to the contract.

Context

The lack of effective controls and noncompliance was applicable to one of the two contracts entered into during the audit period.

Criteria

2 CFR section 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

The Commission's management had not developed a system of internal controls that would have ensured compliance with the suspension and debarment requirements.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the suspension and debarment requirements could have resulted in the loss of federal funds to the Commission.

NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Commission's management establish controls to ensure compliance with the Procurement and Suspension and Debarment compliance requirement.

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

FINDING 2017-001

Contact Person Responsible for Corrective Action: Daria Sztaba
Contact Phone Number: 219-254-2502

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

1. Internal Control Segregation of Duties revised and implemented on June 25th 2018 (a copy attached).
2. All financials will be prepared by one employee (Financial Analyst or Chief Accountant) and check by the CFO or Chief of Staff.
3. Revenue and expenses by fund are reviewed by CFO /Chief Accountant on a monthly basis as of June 2018.
4. Revenue information added to the F&P Committee as of August 2018.
5. The Capital assets are done by a Procurement Coordinator and check by Chief Accountant or Financial Analyst (Hired Sept 2018).

Anticipated Completion Date:
Implemented in 2018.

X *Daria M. Sztaba*

Daria M Sztaba

CFO

(Title)

9-25-2018

(Date)

CORRECTIVE ACTION PLAN

FINDING 2017-002

Contact Person Responsible for Corrective Action: Daria Sztaba
Contact Phone Number: 219-763-6060

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

During 2017, NIRPC had major changes in the Finance department. In July, the Chief Accountant resigned and a month later, the CFO resigned as well. The Finance Department was without critical employees to attend to the financial needs of the department. NIRPC had non-financial employees helping in unfamiliar areas, and eventually hire a Temp Accountant. In Nov of 2017, key financial players, CFO and Chief Accountant, were hired and year end processes started.

Effective internal controls have already begun in 2018. Requirements for suspension and debarments are included in the contracts they were missing and sams.gov has been visited and printouts are attached to the contracts.

Anticipated Completion Date:
September 2018 for all federal grants.

Daria M. Sztaba

(Signature)

CFO

(Title)

9-25-2018

(Date)

NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
EXIT CONFERENCE

The contents of this report were discussed on September 20, 2018, with Ty Warner, Executive Director; Geof Benson, Chairman of the Commission; Kathy Luther, Chief of Staff; Daria Sztaba, Chief Financial Officer; Talaya Jones, Chief Accountant; Diane Noll, Vice Chair of the Commission; George Topoll, Commission Treasurer; Justin Kiel, Commissioner; Robert Carnahan, Commissioner; David Shafer, Commissioner; and David Hollenbeck, Commission Attorney.