

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MIDDLETOWN

HENRY COUNTY, INDIANA

January 1, 2017 to December 31, 2017



FILED
10/17/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Drew Cooper	01-01-16 to 12-31-19
President of the Town Council	Jake Smith	01-01-17 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 TOWN OF MIDDLETOWN, HENRY COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Middletown (Town), 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 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.

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

September 7, 2018

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CLERK-TREASURER
TOWN OF MIDDLETOWN

CLERK-TREASURER
TOWN OF MIDDLETOWN
FEDERAL FINDING

FINDING 2017-001

Subject: Community Development Block Grant/State's program and
Non-Entitlement Grants in Hawaii - Period of Performance

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 Numbers and Years (or Other Identifying Numbers): A192-16-WW-14-106
A192-16-DR2-09-279

Pass-Through Entity: Indiana Office of Community and Rural Affairs

Compliance Requirement: Period of Performance

Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the Town in order to ensure compliance with the requirements related to the grant agreement and the Period of Performance compliance requirement.

The Town did not have procedures in place to verify that the Period of Performance compliance requirement was met. The Town did not comply with the Period of Performance compliance requirement, as the Town had expenditures that were not obligated prior to the completion date.

Context

The lack of controls and noncompliance were isolated to the two awards identified above.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the 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). . . ."

CLERK-TREASURER
TOWN OF MIDDLETOWN
FEDERAL FINDING
(Continued)

34 CFR 80.23(a) states:

"*General.* Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period."

2 CFR 200.71 states:

"When used in connection with a non-Federal entity's utilization of funds under a Federal award, *obligations* means orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Period of Performance compliance requirement.

Effect

The failure to establish an effective internal control system placed the Town in noncompliance with the grant agreement and the Period of Performance compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Town's management establish controls to ensure compliance with the grant agreement and the Period of Performance 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 Middletown
653 Locust Street
Middletown, IN 47356
office: (765) 354 2268
fax: (765) 354 3068

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Clerk-Treasurer Drew Cooper
Contact Phone Number: 765-354-2268

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: As part of any future project progress meeting involving a project with an OCRA grant, an agenda item will be included to review the OCRA Grant Agreement Completion Date. If the date needs to be adjusted due to engineering change or any other reason, a request will be sent in writing to OCRA requesting the date be extended.

Anticipated Completion Date: This procedural update will be implemented immediately. This new procedure will be used with the current OCRA contract #25213 for Sewer Treatment Plant Updates.



Signature

CLERK-TREASURER

Title

9-7-2018

Date

CLERK-TREASURER
TOWN OF MIDDLETOWN
EXIT CONFERENCE

The contents of this report were discussed on September 7, 2018, with Drew Cooper, Clerk-Treasurer, and Jake Smith, President of the Town Council.