

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF STINESVILLE

MONROE COUNTY, INDIANA

January 1, 2017 to December 31, 2017



FILED
01/18/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Lois Pursell	01-01-15 to 12-31-18
President of the Town Council	Kimberly Cunningham	01-01-17 to 12-31-18



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 STINESVILLE, MONROE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Stinesville (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 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 Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments 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 Results and Comments 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 Results and Comments, incorporated within this report, were not verified for accuracy.

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

December 5, 2018

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CLERK-TREASURER
TOWN OF STINESVILLE

CLERK-TREASURER
TOWN OF STINESVILLE
FEDERAL FINDINGS

FINDING 2017-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Condition

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. There was a lack of segregation of duties, as the Town had not separated incompatible activities related to cash and investments, receipts, disbursements, and financial reporting.

The Clerk-Treasurer performed all of the activities related to cash and investments, receipting, disbursing, and financial reporting without oversight or review.

Context

The lack of controls was a systemic issue throughout the audit period. The lack of effective controls affected the accurate preparation of the financial statement. Receipts of \$65,000 and disbursements of \$86,396 were not included in the OCRA Match fund on the financial statement.

Audit adjustments were proposed, accepted by the Town, and made to the financial statement.

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities. . . .

- Accurate and timely recording of transactions. . . ."

CLERK-TREASURER
TOWN OF STINESVILLE
FEDERAL FINDINGS
(Continued)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

Cause

Management of the Town had not established a proper system of internal controls that segregated key functions.

Effect

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

Recommendation

We recommended that the Town establish a system of internal controls related to financial transactions and 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: Community Development Block Grants/State's program and
Non-Entitlement Grants in Hawaii - Internal Controls

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): DR2-09-273

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

Compliance Requirements: Matching, Level of Effort, Earmarking; Special Tests
and Provisions - Wage Rate Requirements

Audit Finding: Material Weakness

Condition

An effective internal control system was not in place at the Town in order to ensure compliance with requirements related to the grant agreement and the compliance requirements listed above.

Matching and Earmarking

The Town had not designed or implemented adequate policies or procedures to ensure that the matching and earmarking requirements were met.

CLERK-TREASURER
TOWN OF STINESVILLE
FEDERAL FINDINGS
(Continued)

Special Tests and Provisions - Wage Rate Requirements

The Town had not designed or implemented adequate internal controls to ensure that the prevailing wage rates were paid by the contractors or subcontractors of the project. The Town hired a grant administrator to oversee compliance with the wage rate requirements without proper oversight or review by the Town.

Context

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

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). . . ."

Cause

The Town's management had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the compliance requirements listed above.

Effect

The failure to establish an effective internal control system placed the Town at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets 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 establish controls to ensure compliance with the compliance requirements listed above.

Views of Responsible Officials

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

CLERK-TREASURER
TOWN OF STINESVILLE
FEDERAL FINDINGS
(Continued)

FINDING 2017-003

Subject: Community Development Block Grants/State's program and
Non-Entitlement Grants in Hawaii - Cash Management
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): DR2-09-273
Pass-Through Entity: Indiana Office of Community and Rural Affairs
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Other Matters

Condition

The Town had not established an effective internal control system to ensure that minimal time elapsed between the transfer of funds from the Indiana Office of Community and Rural Affairs (pass-through entity) and the disbursements to the appropriate vendors.

The Town did not completely disburse the advances received from the pass-through entity timely. The Town requested advance amounts of the total contractor invoices, including the retainer of 10 percent per invoice. The contractor's retainer was not due to be paid until completion of the project; therefore, the Town held a balance of grant funds that were not disbursed in a timely manner.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period.

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). . . ."

2 CFR 200.305(b) states in part:

"For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means. See also § 200.302 Financial management paragraph (b)(6). Except as noted elsewhere in this part, Federal agencies must require recipients to use only OMB-approved standard governmentwide information collection requests to request payment.

CLERK-TREASURER
TOWN OF STINESVILLE
FEDERAL FINDINGS
(Continued)

- (1) The non-Federal entity must be paid in advance, provided it maintains or demonstrates the willingness to maintain both written procedures that minimize the time elapsing between the transfer of funds and disbursement by the non-Federal entity, and financial management systems that meet the standards for fund control and accountability as established in this part. Advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity for direct program or project costs and the proportionate share of any allowable indirect costs. The non-Federal entity must make timely payment to contractors in accordance with the contract provisions. . . ."

Cause

The Town's management had not developed a system of internal controls that would have ensured compliance with the cash management requirements.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Town's management establish controls related to ensure compliance and comply with the grant agreement and the Cash Management compliance requirement.

Views of Responsible Officials

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

FINDING 2017-004

Subject: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii - Suspension and Debarment

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 Years (or Other Identifying Number): DR2-09-273

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

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

CLERK-TREASURER
TOWN OF STINESVILLE
FEDERAL FINDINGS
(Continued)

Condition

The Town had not established an effective internal control system to ensure compliance with the grant agreement and the suspension and debarment requirements.

The Town did not comply with the suspension and debarment requirements that they verify that vendors were not suspended or debarred from participation in federal programs before entering into a contract. The Town did not perform any procedures to verify that the engineer was not suspended or debarred before entering into the contract.

Context

The lack of controls was a systemic issue throughout the audit period. The noncompliance was isolated to the engineer's contract.

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). . . ."

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

CLERK-TREASURER
TOWN OF STINESVILLE
FEDERAL FINDINGS
(Continued)

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 Town.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Town's management establish controls to ensure compliance and comply with the grant agreement and 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.



TOWN OF STINESVILLE

P.O. BOX 66
Stinesville, Indiana 47464

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Lois Pursell
Contact Phone Number: 812-876-8303
stinesville@bluemarble.net

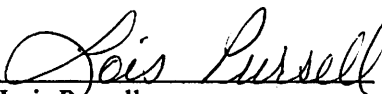
Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan:

1. Adopt Internal Control Standards & Procedures by a resolution.
2. Create and adopt procedures pertaining to Town Receipts, Disbursements.
3. Have the Board go over a monthly list of the Receipts & Disbursements.
4. Keep the Board active in internal controls.

Anticipated Completion Date:

1. The Resolution will be introduced and adopted at our January 8, 2019 meeting.
2. With the end of the year approaching, I should be done with the procedures for the Receipts and Disbursements by the end of February.
3. I have started with the November business having the Board members look at the list of Receipts in numerical order (listing date, who from, dollar amount, why, and the fund the money goes into, and the Disbursements in check number order (listing date, payable to who, dollar amount, why, and the fund the money came out of).


Lois Pursell
Clerk-Treasurer

December 4, 2018



TOWN OF STINESVILLE

P.O. BOX 66
Stinesville, Indiana 47464

CORRECTIVE ACTION PLAN

FINDING 2017-002

Contact Person Responsible for Corrective Action: Lois Pursell
Contact Phone Number: 812-876-8303
stinesville@bluemarble.net


Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan:

We are developing controls to put in place. We will come up with a policy to ask for the certified payrolls from the grant administrator so the board can approve them for future projects. Also a policy where the matching and earmarking amounts will be tracked by the Clerk Treasurer and submitted to the Board for approval.

Anticipated Completion Date:

We plan to have the policy in place in 2019.



Lois Pursell
Clerk-Treasurer

December 5, 2018



TOWN OF STINESVILLE

P.O. BOX 66
Stinesville, Indiana 47464

CORRECTIVE ACTION PLAN

FINDING 2017-003

Contact Person Responsible for Corrective Action: Lois Pursell

Contact Phone Number: 812-876-8303
stinesville@bluemarble.net

Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan:

We are developing controls to put in place and that in the future, only the amounts due for payment will be requested for advance.

Anticipated Completion Date:

We plan to have these controls in place in 2019.

Lois Pursell
Clerk-Treasurer

December 5, 2018



TOWN OF STINESVILLE
P.O. BOX 66
STINESVILLE, INDIANA 47464

CORRECTIVE ACTION PLAN

FINDING 2017-004

Contact Person Responsible for Corrective Action: Lois Pursell

Contact Phone Number: 812-876-8303

stinesville@bluemarble.net

Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan:

We are developing controls to put in place and that in the future, we will check SAM.gov before contracting with any vendor for payment with federal funds.

Anticipated Completion Date:

We plan to have these controls in place in 2019.

Lois Pursell
Clerk-Treasurer

December 5, 2018

CLERK-TREASURER
TOWN OF STINESVILLE
AUDIT RESULT AND COMMENT

INTERNAL CONTROL TRAINING

The same comment also appeared in the prior Report B51848.

The Clerk-Treasurer certified on the Annual Financial Report (AFR) that internal control standards training had been provided to personnel. However, no documentation was provided the personnel had received the training. Therefore, the certification on the AFR was incorrect.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."



TOWN OF STINESVILLE

P.O. BOX 66
Stinesville, Indiana 47464

December 10, 2018

State Board of Accounts
302 West Washington Street
Indianapolis, IN 46204-2765

OFFICIAL RESPONSE

Period examined: 01-01-17 to 12-12-17

To Whom it May Concern:

The Uniform Internal Control Standards for Indiana Political Subdivisions by Paul D. Joyce, CPA State Examiner was printed and studied by myself. I signed the sheet of paper. I also know that [REDACTED] looked at the video for the 30 minutes and handed me her signed sheet of paper. She looked at again when her mother, [REDACTED] [on the Park Board], looked at the video. I remember talking to [REDACTED] Parka Board member, about what I would need from her regarding the money she took in during our festival. After watching the video, she understood why I wanted a list of the people who bought the silent auction items and the amount each one paid. For the last two festivals she has given me the money and list, which I verify with her to the sheets of paper used for the bidding. I had her signed paper also. I remember [REDACTED] handing me her signed paper.

What I can't remember is if I ever received the paper from [REDACTED] Butch Miller. I know you do not want excuses. I did have the paper from [REDACTED] [REDACTED]

I have looked everywhere and the only thing I can think of is that during the audits of 2012 thru 2015 they might have asked to see them. But I have thoroughly looked in the tote that still has theses records and the papers are not there.

Please accept this letter and know that some of us have looked at the video. I have given our two newest Town Board members the www.in.gov/sboa site to look at and hand me the signed paper at our January 8, 2019 meeting. Kim and Sharon will look at it together and I will probably have their papers before Christmas. I will contact the Park Board members and give them the web site. I need to get with them to sign claims so I will get their signed papers at that time.

Town of Stinesville

Lois Pursell
Clerk-Treasurer

LP/lp

CLERK-TREASURER
TOWN OF STINESVILLE
EXIT CONFERENCE

The contents of this report were discussed on December 5, 2018, with Lois Pursell, Clerk-Treasurer, and Kimberly Cunningham, President of the Town Council.

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TOWN COUNCIL
TOWN OF STINESVILLE

TOWN COUNCIL
TOWN OF STINESVILLE
FEDERAL FINDINGS

FINDING 2017-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Condition

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. There was a lack of segregation of duties, as the Town had not separated incompatible activities related to cash and investments, receipts, disbursements, and financial reporting.

The Clerk-Treasurer performed all of the activities related to cash and investments, receipting, disbursing, and financial reporting without oversight or review.

Context

The lack of controls was a systemic issue throughout the audit period. The lack of effective controls affected the accurate preparation of the financial statement. Receipts of \$65,000 and disbursements of \$86,396 were not included in the OCRA Match fund on the financial statement.

Audit adjustments were proposed, accepted by the Town, and made to the financial statement.

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities. . . .

- Accurate and timely recording of transactions. . . ."

TOWN COUNCIL
TOWN OF STINESVILLE
FEDERAL FINDINGS
(Continued)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

Cause

Management of the Town had not established a proper system of internal controls that segregated key functions.

Effect

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

Recommendation

We recommended that the Town establish a system of internal controls related to financial transactions and 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: Community Development Block Grants/State's program and
Non-Entitlement Grants in Hawaii - Internal Controls

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): DR2-09-273

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

Compliance Requirements: Matching, Level of Effort, Earmarking; Special Tests
and Provisions - Wage Rate Requirements

Audit Finding: Material Weakness

Condition

An effective internal control system was not in place at the Town in order to ensure compliance with requirements related to the grant agreement and the compliance requirements listed above.

Matching and Earmarking

The Town had not designed or implemented adequate policies or procedures to ensure that the matching and earmarking requirements were met.

TOWN COUNCIL
TOWN OF STINESVILLE
FEDERAL FINDINGS
(Continued)

Special Tests and Provisions - Wage Rate Requirements

The Town had not designed or implemented adequate internal controls to ensure that the prevailing wage rates were paid by the contractors or subcontractors of the project. The Town hired a grant administrator to oversee compliance with the wage rate requirements without proper oversight or review by the Town.

Context

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

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). . . ."

Cause

The Town's management had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the compliance requirements listed above.

Effect

The failure to establish an effective internal control system placed the Town at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets 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 establish controls to ensure compliance with the compliance requirements listed above.

Views of Responsible Officials

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

TOWN COUNCIL
TOWN OF STINESVILLE
FEDERAL FINDINGS
(Continued)

FINDING 2017-003

Subject: Community Development Block Grants/State's program and
Non-Entitlement Grants in Hawaii - Cash Management
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): DR2-09-273
Pass-Through Entity: Indiana Office of Community and Rural Affairs
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Other Matters

Condition

The Town had not established an effective internal control system to ensure that minimal time elapsed between the transfer of funds from the Indiana Office of Community and Rural Affairs (pass-through entity) and the disbursements to the appropriate vendors.

The Town did not completely disburse the advances received from the pass-through entity timely. The Town requested advance amounts of the total contractor invoices, including the retainer of 10 percent per invoice. The contractor's retainer was not due to be paid until completion of the project; therefore, the Town held a balance of grant funds that were not disbursed in a timely manner.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period.

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). . . ."

2 CFR 200.305(b) states in part:

"For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means. See also § 200.302 Financial management paragraph (b)(6). Except as noted elsewhere in this part, Federal agencies must require recipients to use only OMB-approved standard governmentwide information collection requests to request payment.

TOWN COUNCIL
TOWN OF STINESVILLE
FEDERAL FINDINGS
(Continued)

- (1) The non-Federal entity must be paid in advance, provided it maintains or demonstrates the willingness to maintain both written procedures that minimize the time elapsing between the transfer of funds and disbursement by the non-Federal entity, and financial management systems that meet the standards for fund control and accountability as established in this part. Advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity for direct program or project costs and the proportionate share of any allowable indirect costs. The non-Federal entity must make timely payment to contractors in accordance with the contract provisions. . . ."

Cause

The Town's management had not developed a system of internal controls that would have ensured compliance with the cash management requirements.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Town's management establish controls related to ensure compliance and comply with the grant agreement and the Cash Management compliance requirement.

Views of Responsible Officials

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

FINDING 2017-004

Subject: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii - Suspension and Debarment

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 Years (or Other Identifying Number): DR2-09-273

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

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

TOWN COUNCIL
TOWN OF STINESVILLE
FEDERAL FINDINGS
(Continued)

Condition

The Town had not established an effective internal control system to ensure compliance with the grant agreement and the suspension and debarment requirements.

The Town did not comply with the suspension and debarment requirements that they verify that vendors were not suspended or debarred from participation in federal programs before entering into a contract. The Town did not perform any procedures to verify that the engineer was not suspended or debarred before entering into the contract.

Context

The lack of controls was a systemic issue throughout the audit period. The noncompliance was isolated to the engineer's contract.

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). . . ."

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

TOWN COUNCIL
TOWN OF STINESVILLE
FEDERAL FINDINGS
(Continued)

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 Town.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Town's management establish controls to ensure compliance and comply with the grant agreement and 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.



TOWN OF STINESVILLE

P.O. BOX 66
Stinesville, Indiana 47464

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Lois Pursell
Contact Phone Number: 812-876-8303
stinesville@bluemarble.net

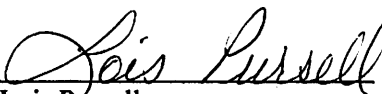
Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan:

1. Adopt Internal Control Standards & Procedures by a resolution.
2. Create and adopt procedures pertaining to Town Receipts, Disbursements.
3. Have the Board go over a monthly list of the Receipts & Disbursements.
4. Keep the Board active in internal controls.

Anticipated Completion Date:

1. The Resolution will be introduced and adopted at our January 8, 2019 meeting.
2. With the end of the year approaching, I should be done with the procedures for the Receipts and Disbursements by the end of February.
3. I have started with the November business having the Board members look at the list of Receipts in numerical order (listing date, who from, dollar amount, why, and the fund the money goes into, and the Disbursements in check number order (listing date, payable to who, dollar amount, why, and the fund the money came out of).


Lois Pursell
Clerk-Treasurer

December 4, 2018



TOWN OF STINESVILLE

P.O. BOX 66
Stinesville, Indiana 47464

CORRECTIVE ACTION PLAN

FINDING 2017-002

Contact Person Responsible for Corrective Action: Lois Pursell
Contact Phone Number: 812-876-8303
stinesville@bluemarble.net


Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan:

We are developing controls to put in place. We will come up with a policy to ask for the certified payrolls from the grant administrator so the board can approve them for future projects. Also a policy where the matching and earmarking amounts will be tracked by the Clerk Treasurer and submitted to the Board for approval.

Anticipated Completion Date:

We plan to have the policy in place in 2019.



Lois Pursell
Clerk-Treasurer

December 5, 2018



TOWN OF STINESVILLE

P.O. BOX 66
Stinesville, Indiana 47464

CORRECTIVE ACTION PLAN

FINDING 2017-003

Contact Person Responsible for Corrective Action: Lois Pursell

Contact Phone Number: 812-876-8303
stinesville@bluemarble.net

Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan:

We are developing controls to put in place and that in the future, only the amounts due for payment will be requested for advance.

Anticipated Completion Date:

We plan to have these controls in place in 2019.

Lois Pursell
Clerk-Treasurer

December 5, 2018



TOWN OF STINESVILLE
P.O. BOX 66
STINESVILLE, INDIANA 47464

CORRECTIVE ACTION PLAN

FINDING 2017-004

Contact Person Responsible for Corrective Action: Lois Pursell

Contact Phone Number: 812-876-8303

stinesville@bluemarble.net

Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan:

We are developing controls to put in place and that in the future, we will check SAM.gov before contracting with any vendor for payment with federal funds.

Anticipated Completion Date:

We plan to have these controls in place in 2019.

Lois Pursell
Clerk-Treasurer

December 5, 2018

TOWN COUNCIL
TOWN OF STINESVILLE
AUDIT RESULT AND COMMENT

INTERNAL CONTROL TRAINING

The same comment also appeared in the prior Report B51848.

The Town could not provide supporting documentation that the Clerk-Treasurer and Town Council had completed the minimum internal control standards training.

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

TOWN COUNCIL
TOWN OF STINESVILLE
EXIT CONFERENCE

The contents of this report were discussed on December 5, 2018, with Lois Pursell, Clerk-Treasurer, and Kimberly Cunningham, President of the Town Council.