

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF WEST TERRE HAUTE

VIGO COUNTY, INDIANA

January 1, 2017 to December 31, 2017



**FILED**  
02/22/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Nicole Keith	01-01-16 to 12-31-18
President of the Town Council	Chuck Stranahan Shane Smith	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  
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TO: THE OFFICIALS OF THE TOWN OF WEST TERRE HAUTE, VIGO COUNTY, INDIANA

This report is supplemental to our audit report of the Town of West Terre Haute (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](http://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

December 20, 2018

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CLERK-TREASURER  
TOWN OF WEST TERRE HAUTE

CLERK-TREASURER  
TOWN OF WEST TERRE HAUTE  
FEDERAL FINDINGS

**FINDING 2017-001**

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness, Noncompliance

*Condition*

The Town 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 Clerk-Treasurer entered and submitted federal award information into the Indiana Gateway for Government Units financial reporting system, which was the source for the Town's SEFA. There was no evidence of a control, such as an oversight, review, or approval process by the Town to ensure federal award information entered and submitted was correct.

*Context*

The SEFA contained the following errors:

1. The Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii expenditures were understated by \$224,581.
2. The State and Community Highway Safety grant was overstated by \$30,147.
3. The Alcohol Impaired Driving Countermeasures Incentive Grants I program was omitted, which resulted in an understatement of \$6,461.
4. There were numerous errors in and omissions of CFDA numbers, program names, clusters, federal agencies, and identifying numbers.

Audit adjustments were proposed, accepted by the Town, 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. . . ."

CLERK-TREASURER  
TOWN OF WEST TERRE HAUTE  
FEDERAL FINDINGS  
(Continued)

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. . . ."

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 *Context*.

CLERK-TREASURER  
TOWN OF WEST TERRE HAUTE  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the Town's management establish controls related to the preparation of the SEFA.

*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 - Procurement and 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 Year (or Other Identifying Number): EDS# A192-16-DR2-09-274

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

Compliance Requirement: Procurement and Suspension and Debarment

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 requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement. The Town relied on the grant administrator for compliance with requirements pertaining to Procurement and Suspension and Debarment.

A local procurement policy was not implemented by the Town for the audit period.

*Context*

The lack of controls and noncompliance were systemic issues throughout the audit period. The Town did not have a formal written policy outlining their procurement policies.

*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 WEST TERRE HAUTE  
FEDERAL FINDINGS  
(Continued)

2 CFR 200.318 states in part:

"(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part.

(b) Non-Federal entities must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

(c)(1) The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the performance of its employees engaged in the selection, award and administration of contracts. . . ."

Indiana Code 5-22-7-1 states: "A purchasing agent shall follow the procedure described in this chapter in awarding a contract for supplies, unless another purchasing method is required or authorized by this article."

Indiana Code 5-22-7-2(a) states: "A purchasing agent shall issue an invitation for bids."

*Cause*

The Town had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement 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 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.

CLERK-TREASURER  
TOWN OF WEST TERRE HAUTE  
FEDERAL FINDINGS  
(Continued)

**FINDING 2017-003**

Subject: Community Development Block Grants/State's program  
and Non-Entitlement Grants in Hawaii - Reporting  
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): EDS# A192-16-DR2-09-274  
Pass-Through Entity: Indiana Office of Rural and Community Affairs  
Compliance Requirement: Reporting  
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 Reporting compliance requirement. The Town relied on the grant administrator for compliance with requirements pertaining to Reporting. The grant administrator prepared and submitted the financial reports without an oversight, review, or approval process.

Information contained in the financial reports was not accurate. The Town reported the estimated cost of the project instead of the actual contract amount.

*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 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following:

...

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

CLERK-TREASURER  
TOWN OF WEST TERRE HAUTE  
FEDERAL FINDINGS  
(Continued)

*Cause*

The Town had not developed a system of internal controls that would have ensured the accuracy of the financial reports.

*Effect*

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

*Questioned Costs*

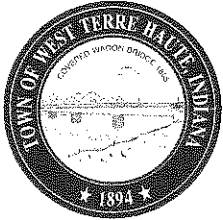
There were no questioned costs identified.

*Recommendation*

We recommended that the Town's management establish controls to ensure compliance with the grant agreement and the Reporting 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 West Terre Haute, Indiana*

500 National Avenue  
West Terre Haute, Indiana  
47885

CORRECTIVE ACTION PLAN

**FINDING 2017-001**

**Material Weakness**

Contact Person Responsible for Corrective Action: Nikki Keith, Clerk-Treasurer  
Contact Phone Number: 812-533-1053

Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan:

To ensure proper reporting, prevent, detect or correct errors, any reporting of financial records done in the future will be reviewed by the Deputy Clerk-Treasurer before the reports are finalized and reported. If the reports are submitted by the Deputy Clerk-Treasurer, the Clerk-Treasurer will review those reports before submission. Any reports submitted by and outside source, such as the grant administrator, will be submitted to the council and the Clerk-Treasurer for reviewing before submission.

Anticipated Completion Date: January 2019

*Nikki Keith*

(Signature)

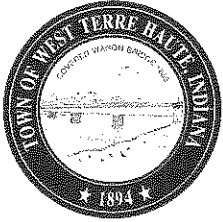
*Clerk-Treasurer*

(Title)

*12/12/2018*

(Date)

Contact the West Terre Haute Town Council:  
Phone: 812-533-1053 • Fax: 812-533-0503



*Town of West Terre Haute, Indiana*

500 National Avenue  
West Terre Haute, Indiana  
47885

CORRECTIVE ACTION PLAN

**FINDING 2017-002**

***Procurement and Suspension and Debarment***

Contact Person Responsible for Corrective Action: Nicole Keith, Clerk-Treasurer  
Contact Phone Number: 812-533-1053

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

For corrective and compliance measures, the Town will, in the very near future, establish a policy regarding procurement. This policy will be compliant with local, State and Federal regulations. This policy will also establish effective internal controls for future project bidding.

Anticipated Completion Date: February 2019

*N Keith*

(Signature)

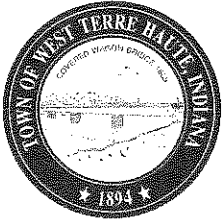
*Clerk-Treasurer*

(Title)

*12/12/2018*

(Date)

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Phone: 812-533-1053 • Fax: 812-533-0503



*Town of West Terre Haute, Indiana*

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West Terre Haute, Indiana  
47885

CORRECTIVE ACTION PLAN

**FINDING 2017-003**

**Reporting**

Contact Person Responsible for Corrective Action: Nikki Keith, Clerk-Treasurer  
Contact Phone Number: 812-533-1053

Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan:

To ensure compliance with the requirements related to the Reporting Compliance requirement, in the future, the Clerk-Treasurer and the Deputy Clerk-Treasurer will review the reports submitted by the grant administrator before the reports are submitted. By having these reports reviewed by others, this will help to ensure accurate, current and complete reporting of the financial records, as well as compliance with the reporting requirements.

Anticipated Completion Date: January 2019

*Nikki Keith*

(Signature)

*Clerk-Treasurer*

(Title)

*12/12/2018*

(Date)

Contact the West Terre Haute Town Council:  
Phone: 812-533-1053 • Fax: 812-533-0503

CLERK-TREASURER  
TOWN OF WEST TERRE HAUTE  
EXIT CONFERENCE

The contents of this report were discussed on December 20, 2018, with Nicole Keith; Clerk-Treasurer; Chuck Stranahan, Town Council member; and Emilee Woolley, Deputy Clerk-Treasurer.

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TOWN COUNCIL  
TOWN OF WEST TERRE HAUTE

TOWN COUNCIL  
TOWN OF WEST TERRE HAUTE  
FEDERAL FINDING

***FINDING 2017-002***

Subject: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii - Procurement and 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 Year (or Other Identifying Number): EDS# A192-16-DR2-09-274  
Pass-Through Entity: Indiana Office of Rural and Community Affairs  
Compliance Requirement: Procurement and Suspension and Debarment  
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 requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement. The Town relied on the grant administrator for compliance with requirements pertaining to Procurement and Suspension and Debarment.

A local procurement policy was not implemented by the Town for the audit period.

*Context*

The lack of controls and noncompliance were systemic issues throughout the audit period. The Town did not have a formal written policy outlining their procurement policies.

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TOWN COUNCIL  
TOWN OF WEST TERRE HAUTE  
FEDERAL FINDING  
(Continued)

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*Cause*

The Town had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

*Effect*

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

*Questioned Costs*

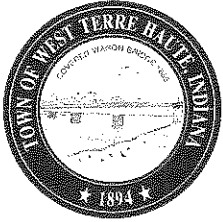
There were no questioned costs identified.

*Recommendation*

We recommended that the Town's management establish controls to ensure compliance 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 West Terre Haute, Indiana*

500 National Avenue  
West Terre Haute, Indiana  
47885

CORRECTIVE ACTION PLAN

**FINDING 2017-002**

***Procurement and Suspension and Debarment***

Contact Person Responsible for Corrective Action: Nicole Keith, Clerk-Treasurer  
Contact Phone Number: 812-533-1053

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

For corrective and compliance measures, the Town will, in the very near future, establish a policy regarding procurement. This policy will be compliant with local, State and Federal regulations. This policy will also establish effective internal controls for future project bidding.

Anticipated Completion Date: February 2019

*N Keith*

(Signature)

*Clerk-Treasurer*

(Title)

*12/12/2018*

(Date)

Contact the West Terre Haute Town Council:  
Phone: 812-533-1053 • Fax: 812-533-0503

TOWN COUNCIL  
TOWN OF WEST TERRE HAUTE  
EXIT CONFERENCE

The contents of this report were discussed on December 20, 2018, with Nicole Keith, Clerk-Treasurer; Chuck Stranahan, Town Council member; and Emilee Woolley, Deputy Clerk-Treasurer.