

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
MICHIANA AREA COUNCIL OF GOVERNMENTS
ST. JOSEPH COUNTY, INDIANA
July 1, 2017 to June 30, 2018



FILED
07/30/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Finding: Finding 2018-001 Highway Planning and Construction Cluster - Suspension and Debarment	4-5
Corrective Action Plan.....	6
Exit Conference.....	7

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	James J. Turnwald	07-01-17 to 06-30-19
Fiscal Accounting Manager	Deborah Gardner	07-01-17 to 06-30-19
President of the Board	Kevin Overmyer	01-01-17 to 12-31-17
	David Wood	01-01-18 to 12-31-18
	Phil Jenkins	01-01-19 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE MICHIANA AREA COUNCIL OF
GOVERNMENTS, ST. JOSEPH COUNTY, INDIANA

This report is supplemental to our audit report of the Michiana Area Council of Governments (MACOG), for the period from July 1, 2017 to June 30, 2018. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the MACOG. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the MACOG, which provides our opinions on the MACOG'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 24, 2019

MICHIANA AREA COUNCIL OF GOVERNMENTS
FEDERAL FINDING

FINDING 2018-001

Subject: Highway Planning and Construction Cluster - Suspension and Debarment
Federal Agency: Department of Transportation
Federal Program: Highway Planning and Construction
CFDA Number: 20.205
Federal Award Numbers and Years (or Other Identifying Numbers): 17806745, 18801223, 18803554
Pass-Through Entity: Indiana Department of Transportation
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 Michiana Area Council of Governments (MACOG) in order to ensure compliance with requirements related to the grant agreement and the suspension and debarment requirements.

The MACOG did not have procedures in place to ensure that vendors were not suspended or debarred from participation in federal award programs. The MACOG entered into a \$100,000 contract with a vendor but failed to ensure that the vendor 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 one 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). . . ."

MICHIANA AREA COUNCIL OF GOVERNMENTS
FEDERAL FINDING
(Continued)

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

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 material 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 MACOG.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the MACOG's management establish controls related to 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.

CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: James Turnwald

Contact Phone Number: 574-287-1829

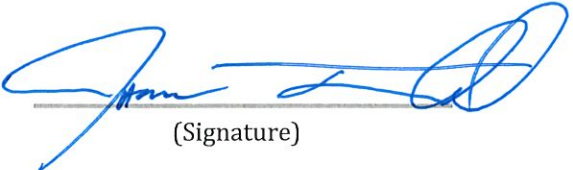
Views of Responsible Official:

Management understands the finding as presented by the State Board of Accounts. Management has taken action to rectify this situation and has identified the policies and procedures that require alteration. The Corrective Action Plan below outlines how changes will be made in order to cure the identified deficiency.

Description of Corrective Action Plan:

1. The MACOG Executive Director will conduct a Procurement Policy training session at a MACOG staff meeting.
2. For contracts/procurements greater than \$25,000, the Office & Procurement Manager will ensure that the contract contains appropriate debarment/suspension clauses or complete a debarment/suspension check on SAM.Gov.
3. Prior to approving the contract/procurement, the Office & Procurement Manager will provide the debarment/suspension documentation to the Executive Director for review. The Executive Director will initial a hard copy of the document to indicate that they have completed their review and approved.

Anticipated Completion Date: July 10, 2019



(Signature)

Executive Director

(Title)

June 24, 2019

(Date)

MICHIANA AREA COUNCIL OF GOVERNMENTS
EXIT CONFERENCE

The contents of this report were discussed on June 24, 2019, with James J. Turnwald, Director; Deborah Gardner, Fiscal Accounting Manager; Phil Jenkins, President of the Board; and George Herendeen, Attorney.