

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, 2018 to December 31, 2018



FILED
09/10/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Ty Warner	01-01-18 to 12-31-19
Chief Financial Officer	Daria Sztaba (Vacant)	01-01-18 to 07-12-19 07-13-19 to 12-31-19
Chairman of the Board of Commissioners	Geof Benson Diane Noll	01-01-18 to 12-31-18 01-01-19 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2018 to December 31, 2018. 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 statements 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

August 15, 2019

NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
FEDERAL FINDINGS

FINDING 2018-001

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

Condition

The Commission 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 federal grant information entered and submitted into the Indiana Gateway for Government Units financial reporting system was the source of the SEFA. An oversight or review process had been established; however, the control was not effective as it did not detect errors on the SEFA presented for audit.

Context

Due to the lack of effective controls, the following errors resulted in the overstatement of federal expenditures on the SEFA by \$1,043,057:

1. The Economic Development Cluster expenditures were omitted, which understated the federal expenditures by \$9,080.
2. The Federal Transit Cluster expenditures were overstated by \$37,379.
3. The Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research expenditures were overstated by \$382,750.
4. The Highway Planning and Construction Cluster expenditures were overstated by \$629,983.
5. The Nonpoint Source Implementation Grants expenditures were overstated by \$2,025.

Audit adjustments were proposed, accepted by the Commission, 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. . . .

NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
FEDERAL FINDINGS
(Continued)

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; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

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

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 a 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."

NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
FEDERAL FINDINGS
(Continued)

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*.

Recommendation

We recommended that the Commission establish a system of internal controls to ensure that federal expenditures will be properly reported on 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 2018-002

Subject: Highway Planning and Construction Cluster - Period of Performance

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): 17804837, 18801273, 20001103,
0018801273

Pass-Through Entity: Indiana Department of Transportation

Compliance Requirement: Period of Performance

Audit Findings: Significant Deficiency, Other Matters

Condition

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

The Commission did not ensure that all obligations for expenditures made from program funds were incurred and expended within the period of performance.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period. Of the 38 items tested, 2 were incurred prior to the period of performance.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
FEDERAL FINDINGS
(Continued)

(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 200.309 states in part:

"A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance . . . and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity."

Cause

The Commission's management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Period of Performance compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Commission'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.

FINDING 2018-003

Subject: Federal Transit Cluster - Internal Controls

Federal Agency: Federal Transit Administration

Federal Program: Federal Transit_Formula Grants

CFDA Number: 20.507

Federal Award Numbers and Years (or Other Identifying Numbers): IN-90-X667, IN-2016-X033,
IN-95-X035, IN-2016-X030,
IN-2016-X031, IN-2017-X027,
IN-2016-X015, IN-34-0012-00,
IN-2017-028, IN-2018-026,
IN-90-X653

Compliance Requirement: Reporting

Audit Finding: Material Weakness

NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
FEDERAL FINDINGS
(Continued)

Condition

An effective internal control system was not in place in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

The Commission relied on one employee to prepare and submit the quarterly and annual Federal Financial Reports without evidence of oversight or review.

Context

The lack of controls was a systemic issue, which occurred 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 Commission's management had not developed or implemented a system of internal control to ensure compliance with the grant agreement and the Reporting compliance requirement.

Effect

The failure to establish an effective internal control system placed the Commission at risk of non-compliance with the grant agreement and the Reporting compliance requirement. A lack of segregation of duties within an internal control system could also have 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 Commission's management establish a system of internal 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.



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CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Talaya Jones


Contact Phone Number: 219-254-2514

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: New internal controls and procedures will be created to ensure all revenue collected will be properly reconciled quarterly with the appropriate grant. This will ensure accuracy throughout the year and allow for errors to be collected before the SEFA is completed and presented for the audit.

Anticipated Completion Date:

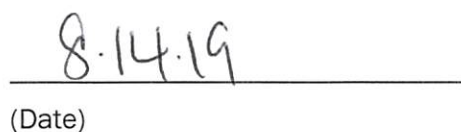
September 2019



(Signature)



(Title)



(Date)



6100 Southport Road
Portage, Indiana 46368
(219) 763-6060
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August 14, 2019

FINDING 2018-002

Contact Person Responsible for Corrective Action: Talaya Jones

Contact Phone Number: 219-254-2514

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Internal procedures will be strengthened to ensure that the activity dates will be properly noted on the PO to ensure that the appropriate grant is billed.

Anticipated Completion Date:

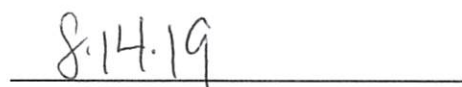
September 2019



(Signature)



(Title)



(Date)



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CORRECTIVE ACTION PLAN

FINDING 2018-003

Contact Person Responsible for Corrective Action: Talaya Jones

Contact Phone Number: 219-254-2514

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: New internal procedures will be created to allow a additional person to sign off on the quarterly reports indicating that they agree with the report(s) as submitted to FTA.

Anticipated Completion Date:

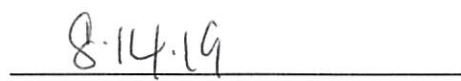
September 2019



(Signature)



(Title)



(Date)

NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
EXIT CONFERENCE

The contents of this report were discussed on August 15, 2019, with Ty Warner, Executive Director; Talaya Jones, Chief Accountant; Kathy Luther, Chief of Staff; Jamie Stewart, Accountant; Diane Noll, Chairman of the Board of Commissioners; Justin Kiel, Treasurer of the Board of Commissioners; Michael Griffin, Commissioner; Geof Benson, Commissioner; Jane Jordan, Commissioner; Jeannette Bapst, Commissioner; Greg Stinson, Commissioner; and George Topoll, Commissioner.