

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

REGION III-A ECONOMIC DEVELOPMENT
DISTRICT AND REGIONAL PLANNING COMMISSION
HUNTINGTON, LAGRANGE, NOBLE, STEUBEN,
AND WHITLEY COUNTIES, INDIANA

January 1, 2016 to December 31, 2018



FILED
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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Jessica L. Grossman Matt Brinkman	01-01-16 to 12-31-16 01-01-17 to 12-31-19
Office Manager	Sandra Tamez	01-01-16 to 12-31-19
President of the Regional Planning Commission Board	Tom Wall	01-01-16 to 12-31-19



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 REGION III-A ECONOMIC DEVELOPMENT DISTRICT AND REGIONAL PLANNING COMMISSION, HUNTINGTON, LAGRANGE, NOBLE, STEUBEN, AND WHITLEY COUNTIES, INDIANA

This report is supplemental to our audit report of the Region III-A Economic Development District and Regional Planning Commission (Regional Planning Commission), for the period from January 1, 2016 to December 31, 2018. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Regional Planning Commission. It should be read in conjunction with our Financial Statements Audit Report of the Regional Planning Commission, which provides our opinion on the Regional Planning Commission's financial statements. This report may be found at www.in.gov/sboa/.

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 Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

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

October 30, 2019

REGION III-A ECONOMIC DEVELOPMENT
DISTRICT AND REGIONAL PLANNING COMMISSION
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

There were several deficiencies in the internal control system of the Regional Planning Commission related to financial transactions and reporting. The Regional Planning Commission had not established an effective internal control system that separated incompatible activities regarding cash and investments, receipts, payroll disbursements, and financial close and reporting.

Cash and Investments

The Regional Planning Commission had not established a system of internal controls that would have ensured that cash and investment balances agreed to the ledger and financial statements. An outside CPA firm was responsible for performing monthly bank reconciliations of the Regional Planning Commission without any documented oversight, review, or approval procedures in place to ensure their accuracy. The Regional Planning Commission did not properly reconcile the bank accounts to the general ledger during the audit period. The ledger was reconciled within their computerized accounting system, but the ending ledger balance within their computerized accounting system was not reconciled to the amounts from the Regional Planning Commission's bank accounts.

Receipts

The Regional Planning Commission had not established a system of internal controls or separated incompatible activities related to receipts that would have ensured that receipts were recorded accurately. The Office Manager collected, deposited, and recorded funds in the records without any documented oversight, review, or approval procedures in place to ensure their accuracy.

Payroll Disbursements

The Regional Planning Commission had not established a system of internal controls or separated incompatible activities related to payroll disbursements that would have ensured payroll disbursements were recorded accurately. An outside CPA firm was responsible for performing all payroll processes of the Regional Planning Commission, including biweekly payroll, annual earnings history, and W-2 forms without any documented oversight, review, or approval procedures in place to ensure their accuracy.

Financial Close and Reporting

The Office Manager entered and submitted the financial information for the Regional Planning Commission into the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Report (AFR) and financial statements. There was no evidence of a control, such as an oversight, review, or approval process to ensure the accuracy of the information entered and submitted.

REGION III-A ECONOMIC DEVELOPMENT
DISTRICT AND REGIONAL PLANNING COMMISSION
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . ."

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

ANNUAL FINANCIAL REPORT

The same comment also appeared in prior Report B46702.

Condition and Context

The AFR for 2016, 2017, and 2018 contained a number of errors and did not match the records of the Regional Planning Commission. Audit adjustments to beginning balances for the audit period totaled (\$179,550), adjustments to receipts for the audit period totaled \$279,126, and adjustments to disbursements for the audit period totaled \$222,336, which were presented to and accepted by management, and made to the financial statements.

Criteria

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](#)."

REGION III-A ECONOMIC DEVELOPMENT
DISTRICT AND REGIONAL PLANNING COMMISSION
AUDIT RESULTS AND COMMENTS
(Continued)

PRESCRIBED FORMS

Condition and Context

We conducted a test designed to verify that receipts issued were properly recorded to the ledger at the time the transactions occurred. Our test found that while cash collections were posted to the ledgers and receipts were issued in all cases except for interest income, unique receipt numbers were not generated for each receipt nor posted to the general ledger with a unique receipt number.

Criteria

Officials and employees are required to use prescribed and approved forms in the manner prescribed.

Any receipts, checks, purchase orders, or other forms that require numbering shall be either prenumbered by an outside printing supplier or numbered by the unit's computer system with sufficient controls installed in the system to prevent unauthorized generation of the form or duplication of numbers. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

RECEIPT ISSUANCE

Condition and Context

During our audit the Regional Planning Commission was recording interest income on the general ledger; however, receipts were not being issued for these transactions.

Criteria

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

ADOPTION AND TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The Regional Planning Commission Board (Board) had not adopted the minimum level of internal control standards as required by statute. The Board did not provide training to personnel concerning internal control standards and procedures during the audit period.

Criteria

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

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

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

REGION III-A ECONOMIC DEVELOPMENT
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AUDIT RESULTS AND COMMENTS
(Continued)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Office Manager incorrectly certified on the AFR for 2016, 2017, and 2018 that the required internal control standards had been adopted and training had been provided to personnel. However, the Regional Planning Commission had not adopted the internal control standards as required by Indiana Code 5-11-1-27(g), nor had personnel been trained.

Criteria

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](#)."

ERRORS ON CLAIMS

Condition and Context

Of the 34 vendor claims tested, 10 did not have any type of claim prepared. For all disbursements in 2018, a blank claim form was attached to each check and invoice. As a result, these claims were not certified by the fiscal officer.

Of the 34 vendor claims tested, 3 did not include a fully itemized invoice or bill for the claim. In addition to the 3 claims without a proper invoice or bill, there were 2 credit card claims that did not provide supporting documentation for all charges listed on each credit card bill that was paid.

The Board did not sign the claims register in 13 of the 28 months tested during our audit period and, therefore, 33 payroll and vendor claims of the 77 payroll and vendor claims we tested were not approved by the governing board.

Criteria

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;

REGION III-A ECONOMIC DEVELOPMENT
DISTRICT AND REGIONAL PLANNING COMMISSION
AUDIT RESULTS AND COMMENTS
(Continued)

- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

COMPENSATION AND BENEFITS

Condition and Context

Compensation and benefits paid to employees were not included on a salary ordinance or resolution. The Board should be approving the compensation and benefits paid to employees and noting the approval in the board minutes.

Criteria

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

RECORD OF HOURS WORKED

The same comment also appeared in prior Report B46702.

Condition and Context

Attendance and time records were not kept for employees showing hours worked.

Criteria

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

- General Form 99A, Employee's Service Record
- General Form 99B, Employee's Earnings Record
- General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

REGION III-A ECONOMIC DEVELOPMENT
DISTRICT AND REGIONAL PLANNING COMMISSION
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2019, with Matt Brinkman, Executive Director; Tom Wall, President of the Regional Planning Commission Board; and Lynne Leichy, Regional Planning Commission Board member.