

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

EVANSVILLE METROPOLITAN PLANNING ORGANIZATION

VANDERBURGH COUNTY, INDIANA

July 1, 2018 to June 30, 2019



**FILED**  
03/24/2020



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i> .....	3-4
Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance .....	5-7
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards .....	10
Notes to Schedule of Expenditures of Federal Awards.....	11
Schedule of Findings and Questioned Costs.....	12-14
Auditee-Prepared Document:	
Corrective Action Plan .....	16-17
Other Reports.....	18

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Seyed Shokouhzadeh	07-01-18 to 06-30-20
Finance Officer	Kari A. Akin	07-01-18 to 06-30-20
Chairman of the Policy Committee	Jack Corn, Jr.	07-01-18 to 06-30-20



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE EVANSVILLE METROPOLITAN PLANNING  
ORGANIZATION, VANDERBURGH COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the Evansville Metropolitan Planning Organization (Organization), for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprise the Organization's financial statement and have issued our report thereon dated March 16, 2020, wherein we noted the Organization followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statement, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-002, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)

***Compliance and Other Matters***


As part of obtaining reasonable assurance about whether the Organization's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Evansville Metropolitan Planning Organization's Response to Findings***

The Organization's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

March 16, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

TO: THE OFFICIALS OF THE EVANSVILLE METROPOLITAN PLANNING ORGANIZATION, VANDERBURGH COUNTY, INDIANA

**Report on Compliance for the Major Federal Program**

We have audited the Evansville Metropolitan Planning Organization's (Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2019. The Organization's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

***Opinion on the Major Federal Program***

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

**Report on Internal Control over Compliance**

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statement of the Organization, as of and for the year ended June 30, 2019, and the related notes to the financial statement. We issued our report thereon dated March 16, 2020, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.

  
Paul D. Joyce, CPA  
State Examiner

March 16, 2020

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the Organization. The schedule and notes are presented as intended by the Organization.

EVANSVILLE METROPOLITAN PLANNING ORGANIZATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended June 30, 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<b>Department of Transportation</b>					
Federal Transit Cluster					
Federal Transit_Formula Grants					
IN FTA 5307	City of Evansville	20.507	IN-2017-019-00	\$ -	\$ 10,000
KY FTA 5307	City of Henderson	20.507	KY-2018-005-00	-	10,000
Total - Federal Transit_Formula Grants				-	20,000
Total - Federal Transit Cluster				-	20,000
Highway Planning and Construction Cluster					
Highway Planning and Construction					
Transportation Planning					
KY PL 2019	Kentucky Transportation Cabinet		1900000309	-	35,469
KY PL Pavement			1900000327	-	56,798
IN PL/5303 2019	Indiana Department of Transportation		A249-19-G180341	-	237,658
Surface Transportation Block Grant					
IN STBG 18 ALTA	Indiana Department of Transportation		A249-16-G160013 A2	-	1,004
IN STBG 2019			A249-19-G180341	-	49,568
IN STBG Pavement			A249-19-G180341	-	165,473
State Planning Research					
INDOT Traffic Counts Large SPR	Indiana Department of Transportation		A249-17-ON170087	-	34,720
Highway Safety Improvement Program					
IN HSIP 2019	Indiana Department of Transportation		A249-19-G180341	-	58,775
Total - Highway Planning and Construction				-	639,465
Total - Highway Planning and Construction Cluster				-	639,465
Transit Services Programs Cluster					
Enhanced Mobility of Seniors and Individuals with Disabilities					
FTA 5310 18	Direct	20.513	IN-2017-020	1,485	1,485
FTA 5310 19 Admin			IN-2018-017	-	23,392
FTA 5310 19 V			IN-2018-013	70,564	70,564
Total - Enhanced Mobility of Seniors and Individuals with Disabilities				72,049	95,441
Total - Transit Services Programs Cluster				72,049	95,441
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research					
FTA KY 5303 19	Kentucky Transportation Cabinet	20.505	KY-2017-002-02	-	5,154
Total - Department of Transportation				-	5,154
Total federal awards expended				\$ 72,049	\$ 760,060

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

EVANSVILLE METROPOLITAN PLANNING ORGANIZATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Summary of Significant Accounting Policies**

*A. Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the Organization under programs of the federal government for the year ended June 30, 2019. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the Organization, it is not intended to and does not present the financial position of the Organization.

*B. Other Significant Accounting Policies*

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

**Note 2. Indirect Cost Rate**

The Organization has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

EVANSVILLE METROPOLITAN PLANNING ORGANIZATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	no

Identification of Major Program and type of auditor's report issued on compliance for it:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Highway Planning and Construction Cluster	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
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**Section II - Financial Statement Findings**

**FINDING 2019-001**

Subject: Financial Close and Reporting  
Audit Finding: Material Weakness

*Condition and Context*

There was a deficiency in the internal control system of the Evansville Metropolitan Planning Organization related to the control activities. Proper controls had not been implemented related to incompatible activities over financial close and reporting. The Financial Officer prepared the Annual Financial Report on the Indiana Gateway for Government Units financial reporting system, which is the source of the financial statement. The Executive Director reviewed the information that was input to ensure accuracy and completeness; however, no evidence to show that this process had taken place could be provided.

EVANSVILLE METROPOLITAN PLANNING ORGANIZATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(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. . . ."

*Cause*

Management had not established a proper system of internal control.

*Effect*

The failure to establish a system of internal control could have enabled material misstatements or irregularities to remain undetected.

*Views of Responsible Officials*

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

**FINDING 2019-002**

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Finding: Material Weakness

*Condition and Context*

The Evansville Metropolitan Planning Organization (Organization) 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 Finance Officer prepared and entered the grant awards on the Indiana Gateway for Government Units financial reporting system, which was the source of the Organization's SEFA, without evidence of oversight or review prior to the certification.

EVANSVILLE METROPOLITAN PLANNING ORGANIZATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Criteria*

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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. . . ."

*Cause*

The Organization's management had not established a system of internal control that would ensure proper reporting of the SEFA.

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA could have remained undetected.

*Views of Responsible Officials*

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

**Section III - Federal Award Findings and Questioned Costs**

No matters are reportable.

AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the Organization. The document is presented as intended by the Organization.



CORRECTIVE ACTION PLAN

**FINDING 2019-001**

Contact Person Responsible for Corrective Action: Executive Director: Seyed Shokouhzadeh and  
Finance Officer: Kari Akin  
Contact Phone Number: 812-436-7833

Views of Responsible Official: Even though internal control actions were taken for the FY 2019 close-out reports, the official concurs the actions were not documented to provide the evidence desired as the SBOA no longer required an attestation report signed by the Executive Director when submitting the Annual Report. The EMPO has developed the below action plan to provide the documented evidence desired.

Description of Corrective Action Plan:

To provide evidence of the Executive Director and the Finance Officer reviewing the Annual Report. Both, the Executive Director and the Finance Officer will sign the front of the Review Submission Report and the cover page of the submitted Annual Financial Report. In addition, the Executive Director will initial the bottom of the output pages of the Annual Report.

Anticipated Completion Date: The FY 2020 Close-out and Annual Report



CORRECTIVE ACTION PLAN

**FINDING 2019-002**

Contact Person Responsible for Corrective Action: Seyed Shokouhzadeh, Executive Director and Kari Akin, Finance Officer  
Contact Phone Number: 812-436-7833

Views of Responsible Official:

Even though internal control actions were taken for the FY 2019 close-out reports, the official concurs the actions were not documented to provide the evidence desired as the SBOA no longer required an attestation report signed by the Executive Director when submitting the Annual Report. The EMPO has developed the below action plan to provide the documented evidence desired.

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Anticipated Completion Date: The FY 2020 Close-out and Annual Report

## OTHER REPORTS

In addition to this report, other reports may have been issued for the Organization. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.