

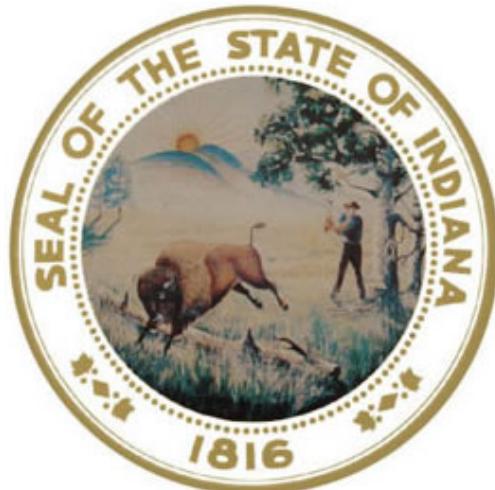
**STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769**

SUPPLEMENTAL COMPLIANCE REPORT

OF

STEUBEN COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
01/16/2015

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
County Auditor:	
Federal Findings:	
Finding 2013-001 - Internal Controls Over Financial Transactions and Reporting.....	6-7
Finding 2013-002 - Internal Controls Over Schedule of Expenditures of Federal Awards	7-8
Finding 2013-003 - Internal Controls Over Payroll Transactions.....	8-9
Corrective Action Plan	10-11
Audit Result and Comment:	
Appropriations	12
Exit Conference	13
Board of County Commissioners:	
Federal Findings:	
Finding 2013-001 - Internal Controls Over Financial Transactions and Reporting.....	16-17
Finding 2013-002 - Internal Controls Over Schedule of Expenditures of Federal Awards	17-18
Finding 2013-003 - Internal Controls Over Payroll Transactions.....	18-19
Corrective Action Plan	20-21
Exit Conference	22
County Sheriff:	
Audit Results and Comments:	
Old Inmate Trust Balances	24
Reconciliation of Inmate Trust Records	24-25
Prescribed Forms.....	25
Supporting Documentation	25
Federal and State Regulations	26
Fund Sources and Uses.....	26
Exit Conference	27

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Pamela Coleman Kim Koomler	01-01-11 to 12-31-13 01-01-14 to 12-31-14
Treasurer	Laurie Stoy	01-01-13 to 12-31-16
Clerk	Michelle Herbert	01-01-11 to 12-31-14
Sheriff	Tim Troyer	01-01-11 to 12-31-14
Recorder	Dani Parish	01-01-11 to 12-31-14
President of the Board of County Commissioners	Ronald Smith	01-01-13 to 12-31-14
President of the County Council	Richard Shipe	01-01-13 to 12-31-14



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 STEUBEN COUNTY, INDIANA

This report is supplemental to our audit report of Steuben County (County), for the period from January 1, 2013 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the County, which provides our opinions on the County's financial statement 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 and should be viewed in conjunction with the Audit Results and Comments as described below.

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 Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

November 24, 2014

(This page intentionally left blank.)

COUNTY AUDITOR
STEUBEN COUNTY

COUNTY AUDITOR
STEUBEN COUNTY
FEDERAL FINDINGS

**FINDING 2013-001 - INTERNAL CONTROLS OVER
FINANCIAL TRANSACTIONS AND REPORTING**

We noted several deficiencies in the internal control system of the County related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the County's audited financial statement and then determining how those identified risks should be managed. The County Auditor has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatement, including notes to the financial statement.
2. Monitoring of Controls: Effective internal control over financial reporting requires the Board of County Commissioners or their designee to monitor and assess the quality of the County's system of internal control. The Board of County Commissioners or their designee have not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility place the County at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the County has no process to identify or communicate corrective actions to improve controls.

During the audit of the County's Financial Statement we noted the following areas that were not reported accurately.

- The Major Moves Construction fund was not reported correctly. This was due to the way that they were handling the investments related to this fund resulting in an understatement of beginning cash and investment balance of \$2,000,000 and an overstatement of receipts by \$2,000,000.
- The Clerk's Trust Fund was not reported correctly. The transactions presented originally included all funds of the Clerk and not just the Trust funds. This resulted in an overstatement of the beginning cash and investment balance, receipts, disbursements and ending cash and investment balance by \$73,649, \$1,232,164, \$1,228,538, and \$77,275, respectively.
- The Steuben County Inmate Trust Fund was not reported correctly. The beginning cash and investment balance and the ending cash and investment balance were overstated by \$710, respectively.
- The Self Insurance Fund was not reported correctly. The beginning cash and investment balance was overstated by \$111,008 and an understatement of receipts by \$111,008.

Audit adjustments were proposed, accepted by the County, and made to the County's financial statement presented in this report

COUNTY AUDITOR
STEUBEN COUNTY
FEDERAL FINDINGS
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receiving, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14) (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

FINDING 2013-002 - INTERNAL CONTROLS OVER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The County did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The County should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal controls in place that operates effectively, material misstatements to the SEFA could remain undetected. We believe this deficiency constitutes a material weakness. We noted the County Auditor independently prepares the SEFA without oversight, review, or approval.

During the audit of the SEFA, we noted that the County had errors in the format of the SEFA. We noted that there were program names that were not correct. There were grants included that were either state grants or donations which should not be reported on the SEFA. There were grants reported with the wrong CFDA number. There was a grant not included on the SEFA that should have been. There were several grants where amounts reported were not correct or included local matching amounts. In total, the SEFA was over reported by \$216,345. Audit adjustments were proposed, accepted by the County, and made to the SEFA presented in this report.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receiving, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14) (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. 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 award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

COUNTY AUDITOR
STEUBEN COUNTY
FEDERAL FINDINGS
(Continued)

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual 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 shall 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.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

FINDING 2013-003 - INTERNAL CONTROLS OVER PAYROLL TRANSACTIONS

We noted the following deficiencies in the internal control system when testing salary and wage payments made to employees for the pay period ending December 24, 2013:

The State's prescribed "Payroll Schedule and Voucher, General Payroll Form 99" did not report the employee's time worked (days or hours) and paid time off (i.e. vacation or sick) and none of the employees tested completed an Employee's Attendance Report (Form A-4).

The time worked and paid time off detail is posted to the Employee Service Records (Form 99A) by the Departmental Supervisors. However, the time worked and paid time off was not posted to the County's Payroll System. This made it impossible to have a reconciliation between the Payroll System and the Departmental Form 99A's. This reconciliation is necessary for proper internal controls over the Payroll process.

The Employee Service Record Form 99A, is used to record the hours or days worked, sick leave, vacation and days lost. Each office or department should keep this form in order to properly prepare the "Payroll Schedule and Voucher, General Form 99." This form is also used to comply with local personnel policy and state law. Sufficient audit evidence was not presented to document the review of payroll timekeeping and recording by anyone other than the Departmental Supervisors.

The Payroll Schedule and Voucher Form 99, requires the elected office holder and/or head of the department to report the total time worked and the total time off during the payroll period for each employee under their supervision.

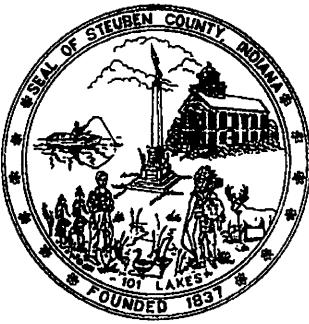
COUNTY AUDITOR
STEUBEN COUNTY
FEDERAL FINDINGS
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receiving, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14) (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14) (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

IC 5-11-9-4 requires that records be maintained showing which hours are worked each day for employees employed by more than one political subdivision or in more than one position by the same public agency. This requirement can be met by indicating the number of hours worked on each Employee's Service Record, General Form No. 99 A and/or General Form No. 99B. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 5)



Kim Koomler
Steuben County Auditor

317 S. Wayne St., Suite 2J
Angola, Indiana 46703
Phone (260) 668-1000, ext. 1218 Fax (260) 665-8483

CORRECTIVE ACTION PLAN

FINDING 2013-001 – Internal Controls over Financial Transactions and Reporting (Gateway)

Contact Person Responsible for Corrective Action: Kim Koomler
Contact Phone Number: 260-668-1000 x 1218

Description of Corrective Action Plan:

The Auditor will take the steps necessary to review financial data and implement more adequate internal controls over the preparation of the financial statement in Gateway. This will ensure accurate and reliable financial reporting in the future. Specifically, the Auditor will create a separate fund for the handling of Major Moves Investments. Additionally, the Auditor will close out the bank account that is currently being used for the County's Self-Insurance Fund and receipt those funds into the County Treasurer's bank account. All Self-insurance claims and receipts will be run through the County Treasurer's Cash Book and be approved by the Steuben County Commissioners.

Anticipated Completion Date: November 1, 2014

FINDING 2013-002 – Internal Controls over Financial Transactions and Reporting SEFA

Contact Person Responsible for Corrective Action: Kim Koomler
Contact Phone Number: 260-668-1000 x 1218

The County will take the steps necessary to implement adequate internal controls over the preparation of the Schedule of Expenditures of Federal Awards (SEFA). This will ensure the accurate reporting of federal awards for future audits.

The Auditor will take the steps necessary to implement a more efficient internal review procedure to ensure the proper review of all grant information prior to entering data into (SEFA) Schedule of Expenditures of Federal Awards portion of the Annual Financial Report through the Gateway system. A more thorough Federal Grants identification procedure will be implemented in order to ensure accurate reporting in the Gateway system. This will be accomplished by implementing a secondary review of all grant report data.

Anticipated Completion Date: December 1, 2014

FINDING 2013-03 – Internal Controls over Payroll Transactions

Contact Person Responsible for Corrective Action: Kim Koomler

Contact Phone Number: 260-668-1000 x 1218

Description of Corrective Action Plan:

The Auditor will take the steps necessary to implement adequate internal controls over the preparation of the county bi-weekly payroll by having an additional deputy auditor trained to perform payroll as well as other support functions within the payroll department. In addition, procedures and processes are being implemented to provide accurate payroll recordkeeping to ensure the proper reporting and payment of time worked, paid time off, personal time, vacation, etc.

The Auditor will take the steps necessary to implement the computer software needed to properly and accurately track all employee vacation, sick, personal time and compensatory time earned and used.

Anticipated Completion Date: December 31, 2014

Kim Koomler
Steuben County Auditor

COUNTY AUDITOR
STEUBEN COUNTY
AUDIT RESULT AND COMMENT

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations for the year 2013:

Fund	Excess Amount Expended
16.588 Stop Violence Agnst Wmn	\$ 16,814
Rec Trails Bike Trail	27,070
20.509 Transit Star 1802564P	163,650
20.600 DUI Task Force IND	9,030
20.106 FAA Taxiway OL Constr	1,305
97.042 Homeland Sec FEMA	4,030

The records presented for audit indicated the following funds were expended without appropriation for the year 2013 by the County Council:

Fund	Excess Amount Expended
WIC Fiscal Yrs (ODD #s)	\$ 138,339
WIC Fiscal Yrs (Even #s)	35,024
16.527 CAVA Visit & Exchange	208,577
WIC SCCF Grant	34
Comm Corrections FY 2012	331

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

COUNTY AUDITOR
STEUBEN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 24, 2014, with Ronald Smith, President of the Board of County Commissioners; Richard Shipe, President of the County Council; and Kim Koomler, Auditor.

(This page intentionally left blank.)

BOARD OF COUNTY COMMISSIONERS
STEUBEN COUNTY

BOARD OF COUNTY COMMISSIONERS
STEUBEN COUNTY
FEDERAL FINDINGS

***FINDING 2013-001 - INTERNAL CONTROLS OVER
FINANCIAL TRANSACTIONS AND REPORTING***

We noted several deficiencies in the internal control system of the County related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the County's audited financial statement and then determining how those identified risks should be managed. The County Auditor has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatement, including notes to the financial statement.
2. Monitoring of Controls: Effective internal control over financial reporting requires the Board of County Commissioners or their designee to monitor and assess the quality of the County's system of internal control. The Board of County Commissioners or their designee have not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility place the County at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the County has no process to identify or communicate corrective actions to improve controls.

During the audit of the County's Financial Statement we noted the following areas that were not reported accurately.

- The Major Moves Construction fund was not reported correctly. This was due to the way that they were handling the investments related to this fund resulting in an understatement of beginning cash and investment balance of \$2,000,000 and an overstatement of receipts by \$2,000,000.
- The Clerk's Trust Fund was not reported correctly. The transactions presented originally included all funds of the Clerk and not just the Trust funds. This resulted in an overstatement of the beginning cash and investment balance, receipts, disbursements and ending cash and investment balance by \$73,649, \$1,232,164, \$1,228,538, and \$77,275, respectively.
- The Steuben County Inmate Trust Fund was not reported correctly. The beginning cash and investment balance and the ending cash and investment balance were overstated by \$710, respectively.
- The Self Insurance Fund was not reported correctly. The beginning cash and investment balance was overstated by \$111,008 and an understatement of receipts by \$111,008.

Audit adjustments were proposed, accepted by the County, and made to the County's financial statement presented in this report

BOARD OF COUNTY COMMISSIONERS
STEUBEN COUNTY
FEDERAL FINDINGS
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receiving, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14) (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

***FINDING 2013-002 - INTERNAL CONTROLS OVER SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS***

The County did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The County should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal controls in place that operates effectively, material misstatements to the SEFA could remain undetected. We believe this deficiency constitutes a material weakness. We noted the County Auditor independently prepares the SEFA without oversight, review, or approval.

During the audit of the SEFA, we noted that the County had errors in the format of the SEFA. We noted that there were program names that were not correct. There were grants included that were either state grants or donations which should not be reported on the SEFA. There were grants reported with the wrong CFDA number. There was a grant not included on the SEFA that should have been. There were several grants where amounts reported were not correct or included local matching amounts. In total, the SEFA was over reported by \$216,345. Audit adjustments were proposed, accepted by the County, and made to the SEFA presented in this report.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receiving, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14) (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. 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 award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

BOARD OF COUNTY COMMISSIONERS
STEUBEN COUNTY
FEDERAL FINDINGS
(Continued)

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual 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 shall 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.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

FINDING 2013-003 - INTERNAL CONTROLS OVER PAYROLL TRANSACTIONS

We noted the following deficiencies in the internal control system when testing salary and wage payments made to employees for the pay period ending December 24, 2013:

The State's prescribed "Payroll Schedule and Voucher, General Payroll Form 99" did not report the employee's time worked (days or hours) and paid time off (i.e. vacation or sick) and none of the employees tested completed an Employee's Attendance Report (Form A-4).

The time worked and paid time off detail is posted to the Employee Service Records (Form 99A) by the Departmental Supervisors. However, the time worked and paid time off was not posted to the County's Payroll System. This made it impossible to have a reconciliation between the Payroll System and the Departmental Form 99A's. This reconciliation is necessary for proper internal controls over the Payroll process.

The Employee Service Record Form 99A, is used to record the hours or days worked, sick leave, vacation and days lost. Each office or department should keep this form in order to properly prepare the "Payroll Schedule and Voucher, General Form 99." This form is also used to comply with local personnel policy and state law. Sufficient audit evidence was not presented to document the review of payroll timekeeping and recording by anyone other than the Departmental Supervisors.

The Payroll Schedule and Voucher Form 99, requires the elected office holder and/or head of the department to report the total time worked and the total time off during the payroll period for each employee under their supervision.

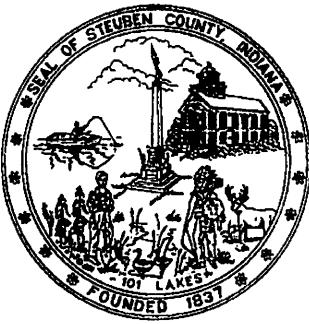
BOARD OF COUNTY COMMISSIONERS
STEUBEN COUNTY
FEDERAL FINDINGS
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receiving, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14) (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14) (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

IC 5-11-9-4 requires that records be maintained showing which hours are worked each day for employees employed by more than one political subdivision or in more than one position by the same public agency. This requirement can be met by indicating the number of hours worked on each Employee's Service Record, General Form No. 99 A and/or General Form No. 99B. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 5)



Kim Koomler
Steuben County Auditor

317 S. Wayne St., Suite 2J
Angola, Indiana 46703
Phone (260) 668-1000, ext. 1218 Fax (260) 665-8483

CORRECTIVE ACTION PLAN

FINDING 2013-001 – Internal Controls over Financial Transactions and Reporting (Gateway)

Contact Person Responsible for Corrective Action: Kim Koomler
Contact Phone Number: 260-668-1000 x 1218

Description of Corrective Action Plan:

The Auditor will take the steps necessary to review financial data and implement more adequate internal controls over the preparation of the financial statement in Gateway. This will ensure accurate and reliable financial reporting in the future. Specifically, the Auditor will create a separate fund for the handling of Major Moves Investments. Additionally, the Auditor will close out the bank account that is currently being used for the County's Self-Insurance Fund and receipt those funds into the County Treasurer's bank account. All Self-insurance claims and receipts will be run through the County Treasurer's Cash Book and be approved by the Steuben County Commissioners.

Anticipated Completion Date: November 1, 2014

FINDING 2013-002 – Internal Controls over Financial Transactions and Reporting SEFA

Contact Person Responsible for Corrective Action: Kim Koomler
Contact Phone Number: 260-668-1000 x 1218

The County will take the steps necessary to implement adequate internal controls over the preparation of the Schedule of Expenditures of Federal Awards (SEFA). This will ensure the accurate reporting of federal awards for future audits.

The Auditor will take the steps necessary to implement a more efficient internal review procedure to ensure the proper review of all grant information prior to entering data into (SEFA) Schedule of Expenditures of Federal Awards portion of the Annual Financial Report through the Gateway system. A more thorough Federal Grants identification procedure will be implemented in order to ensure accurate reporting in the Gateway system. This will be accomplished by implementing a secondary review of all grant report data.

Anticipated Completion Date: December 1, 2014

FINDING 2013-03 – Internal Controls over Payroll Transactions

Contact Person Responsible for Corrective Action: Kim Koomler

Contact Phone Number: 260-668-1000 x 1218

Description of Corrective Action Plan:

The Auditor will take the steps necessary to implement adequate internal controls over the preparation of the county bi-weekly payroll by having an additional deputy auditor trained to perform payroll as well as other support functions within the payroll department. In addition, procedures and processes are being implemented to provide accurate payroll recordkeeping to ensure the proper reporting and payment of time worked, paid time off, personal time, vacation, etc.

The Auditor will take the steps necessary to implement the computer software needed to properly and accurately track all employee vacation, sick, personal time and compensatory time earned and used.

Anticipated Completion Date: December 31, 2014

Kim Koomler
Steuben County Auditor

BOARD OF COUNTY COMMISSIONERS
STEUBEN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 24, 2014, with Ronald Smith, President of the Board of County Commissioners, and Richard Shipe, President of the County Council.

COUNTY SHERIFF
STEUBEN COUNTY

COUNTY SHERIFF
STEUBEN COUNTY
AUDIT RESULTS AND COMMENTS

OLD INMATE TRUST BALANCES

The County Sheriff requires inmates who have been released or discharged to make a formal request to have his or her funds held in trust returned. If the funds have not been returned after a period of one year, the funds are to be remitted to the Attorney General's Office as unclaimed property.

We noted outstanding inmate trust balances dating as far back as 2002. This was discussed with Julie Troyer (Sheriff's Administrative Supervisor) during previous audits.

Indiana Code 36-8-10-22(d) states: "Upon discharge or release of an inmate from the county jail, the sheriff shall pay to that inmate or his legal guardian any balance remaining in his trust fund."

Indiana Code 32-34-1-20(c) states in part:

"Property that is held, issued, or owed in the ordinary course of a holder's business is presumed abandoned if the owner or apparent owner has not communicated in writing with the holder concerning the property or has not otherwise given an indication of interest in the property during the following times: . . .

- (7) For property held by a state or other government, governmental subdivision or agency, or public corporation or other public authority, one (1) year after the property becomes distributable."

Indiana Code 32-34-1-26(a) states: "A holder of property that is presumed abandoned and that is subject to custody as unclaimed property under this chapter shall report in writing to the attorney general concerning the property. Items of value less than fifty dollars (\$50) may be reported by the holder in the aggregate."

Indiana Code 32-34-1-27(a) states: "Except as provided in subsections (b) and (c), on the date a report is filed under section 26 of this chapter, the holder shall pay or deliver to the attorney general the property that is described in the report as unclaimed."

RECONCILIATION OF INMATE TRUST RECORDS

The Sheriff's Department personnel were unable to provide the subsidiary record for the inmate trust ledger at December 31, 2013, due to issues with their computer software. Individual inmate records are kept on the Spillman Software as a subsidiary record. The bank balance for the Steuben County Inmate Trust Fund reconciled with the Inmate Trust Check Register (control ledger), but the total of the Active Cash Account Balance Report (subsidiary record) did not agree with the control ledger. At August 31, 2014, there was a variance of \$2,765.86 where the subsidiary record was more than the inmate trust control ledger.

Indiana Code 36-8-10-22 states in part:

- "(a) This section applies to any county that operates a county jail.
- (b) The sheriff shall hold in trust separately for each inmate any money received from that inmate or from another person on behalf of that inmate.

COUNTY SHERIFF
STEUBEN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

(c) If the inmate or his legal guardian requests a disbursement from the inmate's trust fund, the sheriff may make a disbursement for the personal benefit of the inmate, including but not limited to a disbursement to the county jail commissary.

(d) Upon discharge or release of an inmate from the county jail, the sheriff shall pay to that inmate or his legal guardian any balance remaining in his trust fund."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

PRESCRIBED FORMS

The Sheriff's Department uses Quicken Software to account for the Steuben County Jail Commissary, Steuben County Jail Meal Allowance, and Steuben County Inmate Trust funds. This accounting software's design can allow changes to a transaction file to occur without being processed through an application. A good design will not allow changes to a transaction file to occur unless done through an application. In addition, reports provided were not the ledgers prescribed by the Indiana State Board of Accounts.

There was a similar comment made in prior Reports B39776 and B40454.

In addition, we were unable to trace Cash Bond payments from the Sheriff's Cash Book to the Clerk of the Circuit Courts records. The Sheriff's Official Receipts and Cash Book did not show case numbers. The case numbers are necessary to trace Cash Bond payments into the Clerk's Trust Register.

All transactions that occur in the system must be recorded. Transactions can be maintained on-line, on back-up tapes, microfilmed, or printed on hard copy. These transactions include, but are not limited to, all input transactions, transactions that generate receipts, transactions that generate checks, master file updates, and all transactions that affect the ledgers in any way. The system must be designed so that changes to a transaction file cannot occur without being processed through an application. (The County Bulletin and Uniform Compliance Guidelines, April 2006)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

SUPPORTING DOCUMENTATION

Proper documentation was not attached to a Visa credit card statement from March of 2013 that totaled \$143.63. Visa charges are paid from the Steuben County Jail Commissary fund.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County, Chapter 1)

COUNTY SHERIFF
STEUBEN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

FEDERAL AND STATE REGULATIONS

The Sheriff's Department did not comply with the directives of Internal Revenue Service (IRS). They did not issue a Form 1099 to a local attorney who was paid \$3,000 from the Steuben County Commissary fund.

Government agencies are required to file Form 1099 when making payments to vendors that provide attorney services and who are paid more than \$600.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

FUND SOURCES AND USES

The Sheriff Department uses Visa cards to pay travel expenses when attending training seminars. Visa charges are paid from the Steuben County Jail Commissary fund. We noted restaurant charges on the County Sheriff's Visa Credit Card Statement dated June 22, 2013, that included a receipt showing \$14.08 of alcoholic beverages. Purchase of alcoholic beverages is not a proper use of the Steuben County Jail Commissary fund.

The amount paid for alcoholic beverages \$14.08 should be reimbursed to the Steuben County Jail Commissary fund by the County Sheriff and the Administrative Supervisor.

Purchases of alcoholic beverages may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY SHERIFF
STEUBEN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 24, 2014, with Tim Troyer, Sheriff, and Julie Troyer, Administrative Supervisor.