

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

DEKALB COUNTY, INDIANA

January 1, 2015 to December 31, 2015



**FILED**  
02/06/2017



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Jan Bauman	01-01-15 to 12-31-18
County Treasurer	Holly Albright	01-01-13 to 12-31-16
Clerk of the Circuit Court	Martha Grimm	01-01-13 to 12-31-16
County Sheriff	Donald Lauer	01-01-15 to 12-31-18
County Recorder	Katie Firestone	01-01-13 to 12-31-16
President of the County Drainage Board	Randall J. Deetz	01-01-15 to 12-31-16
President of the Board of County Commissioners	Donald D. Grogg	01-01-15 to 12-31-16
President of the County Council	Alan Middleton	01-01-15 to 12-31-16



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF DEKALB COUNTY, INDIANA

This report is supplemental to our audit report of DeKalb County (County), for the period from January 1, 2015 to December 31, 2015. 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/](http://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, incorporated within this report, was not verified for accuracy.

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

December 13, 2016

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COUNTY AUDITOR  
DEKALB COUNTY

COUNTY AUDITOR  
DEKALB COUNTY  
FEDERAL FINDINGS

**FINDING 2015-001 - FINANCIAL TRANSACTIONS AND REPORTING**

*Condition*

There were several deficiencies in the internal control system of the County related to financial transactions and reporting. The following deficiencies constitute material weaknesses:

- **Preparing Financial Statements:** Effective internal control over financial reporting involved 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 had not identified risks to the preparation of a reliable financial statement and as a result had failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement.
- **Monitoring of Controls:** Effective internal control over financial reporting required the County Commissioners or their designee to monitor and assess the quality of the County's system of internal control. The County Commissioners or their designee had not performed either an ongoing or separate evaluation of their system of internal controls.

The County is required to report all financial information in the Annual Financial Report. This information is used to compile the financial statement. The County's financial statement (Gateway Report) contained the following errors:

- The Local Road & Street fund had investments which were posted incorrectly causing the beginning balance to be understated by \$500,000 and the receipts to be overstated by \$500,000. These amounts were corrected in the report.
- The Highway fund had investments which were posted incorrectly causing the beginning balance to be understated by \$250,000 and the receipts to be overstated by \$250,000. These amounts were corrected in the report.

The County's financial records (County Auditor's Combined Ledger) contained the following deficiencies:

- The County Auditor's Combined Ledger (Combined Ledger) did not include all of the transactions for the Community Corrections related funds since these funds were set up in the system as fiscal year funds rather than calendar year basis funds. This also affected the beginning and ending balances of these funds in the report. The Gateway Report is prepared by uploading the Combined Ledger numbers from the County's software. The Community Corrections related funds had to be reviewed one by one in order to verify if all of the transactions were actually reported in Gateway. Funds that were missing transactions and affected balances had to be adjusted.
- While verifying the correction of the payroll withholding funds being changed to the calendar basis there were some transactions that were omitted from the Combined Ledger. New payroll withholding funds were created in March 2015 without transferring the prior related beginning balance and without the related transactions for January and February 2015 being transferred into the new payroll withholding funds. The missing beginning balance and transactions were added into the report.

COUNTY AUDITOR  
DEKALB COUNTY  
FEDERAL FINDINGS  
(Continued)

- There was a fund on the Combined Ledger for Total Monies on Deposit Investments that should not be on the records as it represents bank accounts rather than actual funds. This fund was not included in the report and should be removed from the records.

Audit adjustments were proposed, accepted by the County, and made to the County's financial statements.

*Criteria*

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 receipting, 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 Counties of Indiana, Chapter 1)

Indiana Code 5-11-1-4 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."

*Cause*

Management had not established a system of internal control that would have ensured proper reporting of the Annual Financial Report.

*Effect*

Without a proper system of internal control in place that operates effectively, material misstatements of the Annual Financial Report remained undetected. The Annual Financial Report contained the errors identified in the Condition.

The failure to exercise their oversight responsibility placed the County at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls would have prevented or detected material misstatements in a timely manner. Additionally, the County had no process to identify or communicate corrective actions to improve controls.

*Views of Responsible Officials*

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

COUNTY AUDITOR  
DEKALB COUNTY  
FEDERAL FINDINGS  
(Continued)

**FINDING 2015-002 - INTERNAL CONTROLS OVER PAYROLL PROCESSING**

*Condition*

Deficiencies were noted in the internal control system of the County related to payroll processing. The following deficiencies constitute material weaknesses:

- Lack of Segregation of Duties: The County had not separated incompatible activities related to payroll and related liabilities. In response to prior year's audit findings, the County Auditor's office developed and put into place a Corrective Action Plan on October 20, 2016. The Plan stated that the payroll reports, generated by an employee in the County Auditor's office, would be approved by the Payroll Clerk; however, reports observed during the current audit did not have approval signatures.
- Monitoring of Controls: The Board of County Commissioners or their designee had not performed either an ongoing or separate evaluation of their system of internal controls.

There were several other deficiencies in the internal control system of the County related to payroll processing. The following deficiencies constitute material weaknesses:

- There was no evidence to verify that someone from the County, independent of the Payroll Clerk, verified that the payroll was paid and posted to the proper funds. The Payroll Vouchers, which report the gross payroll for each employee, did not report the office, department, or funds from which the payments were made. The County Commissioners signed an "Allowance of Payroll Claims" for each payroll. Attached to this Allowance was the "Pay History/Check Register Report" which reports the net payroll of each employee. There was no evidence to verify that approval of payroll withholdings was presented to the Board of County Commissioners. In addition, several payroll withholding accounts were overdrawn and no one was monitoring this.
- There was no evidence to show that the County Auditor's office reconciled the Employee Service Records (General Payroll Form No. 99A) to the Employee Earnings records and/or determined that employees were taking leave time in accordance with the County's Personnel Policy. One department head tested did not keep a time sheet. Only elected officials are allowed to not keep a time sheet.

*Criteria*

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 receipting, 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 Counties of Indiana, Chapter 1)

COUNTY AUDITOR  
DEKALB COUNTY  
FEDERAL FINDINGS  
(Continued)

. . . if county funds are to be disbursed in support of an employee's benefit program, such as group insurance, the claim or voucher should be submitted to the board of county commissioners for allowance. A claim or voucher should also be submitted to the board for the county's portion of contributions payable to Public Employees' Retirement Fund. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

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)

*Cause*

Management had not established a system of internal control that would have ensured proper payroll processing.

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements in payroll processing remained undetected. Deficiencies are identified in the Condition.

The failure to establish controls enabled material misstatements or irregularities to remain undetected.

The failure to exercise their oversight responsibility placed the County at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls would have prevented or detected material misstatements in a timely manner. Additionally, the County had no process to identify or communicate corrective actions to improve controls.

*Views of Responsible Officials*

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

**FINDING 2015-003 - SUBRECIPIENT MONITORING**

Federal Agency: Department of Transportation

Federal Program: Formula Grants for Rural Areas

CFDA Number: 20.509

Federal Award Number and Year (or Other Identifying Number): A249-15-320466

Pass-Through Entity: Indiana Department of Transportation

*Condition*

An effective internal control system was not in place at the County in order to ensure compliance with the requirements related to the grant agreement and the compliance requirement: Subrecipient Monitoring.

COUNTY AUDITOR  
DEKALB COUNTY  
FEDERAL FINDINGS  
(Continued)

Monitoring procedures were not in place at the County in order to achieve compliance with requirements related to the grant agreement and the Subrecipient Monitoring compliance requirement. The subrecipient did not present required reimbursement documentation to the County for review.

Therefore, the County did not review the subrecipient's reimbursement claim and supporting expenditures documentation for only the second quarter of 2015, which is required to be presented to the pass-through entity (Indiana Department of Transportation) to receive grant funds, as noted in the operating grant agreement.

The subrecipient simply provided the required documentation to the pass-through entity before review, bypassing the County established monitoring process. The County does have policies and procedures in place to monitor the subrecipient, but no actual monitoring occurred during the second quarter claim period of 2015 only.

*Context*

The County did not have adequate controls in place to comply with the Subrecipient Monitoring requirement of the Formula Grants for Rural Areas program for the second quarter claim period of 2015 only.

*Criteria*

2 CFR section 200.328 states in part:

"(a) *Monitoring by the non-Federal entity.* The non-Federal entity is responsible for oversight of the operations of the Federal award supported activities. The non-Federal entity must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and performance expectations are being achieved. Monitoring by the non-Federal entity must cover each program, function or activity. . . ."

2 CFR section 200.331 states in part:

"All pass-through entities must: . . .

(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

(1) Reviewing financial and performance reports required by the pass-through entity. . . ."

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

COUNTY AUDITOR  
DEKALB COUNTY  
FEDERAL FINDINGS  
(Continued)

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 County did not have adequate controls to ensure the subrecipient followed the County established monitoring procedures.

*Effect*

The failure to establish internal controls enabled material noncompliance to go undetected which could have resulted in the loss of federal funds to the County.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the County follow the established internal controls related to the grant agreement and Subrecipient Monitoring 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 2015-004 - INTERNAL CONTROLS OVER FORMULA GRANTS FOR RURAL AREAS***

Federal Agency: Department of Transportation

Federal Program: Formula Grants for Rural Areas

CFDA Number: 20.509

Federal Award Number and Year (or Other Identifying Number): A249-15-320466

Pass-Through Entity: Indiana Department of Transportation

*Condition*

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, Matching, Level of Effort, Earmarking, Period of Performance, Program Income, and Reporting.

COUNTY AUDITOR  
DEKALB COUNTY  
FEDERAL FINDINGS  
(Continued)

Due to the lack of the County's review of the subrecipient's reimbursement claim and supporting expenditures documentation for only the second quarter of 2015, there was also a lack of control of the above listed compliance requirements.

The subrecipient simply provided the required documentation to the pass-through entity before review, bypassing the County established internal control procedure over the Formula Grants for Rural Areas program. The County does have internal control policies and procedures in place, but a breakdown of the internal control procedures occurred during the second quarter claim period of 2015 only.

*Context*

The County did not have adequate controls in place to comply with the compliance requirements listed above for the Formula Grants for Rural Areas program for the second quarter claim period of 2015 only.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

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*

Management did not follow the established system of internal controls that segregated key functions.

*Effect*

The failure to establish an effective internal control system placed the County at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with 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.

COUNTY AUDITOR  
DEKALB COUNTY  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the County's management establish and maintain controls, including segregation of duties, related to the grant agreement and compliance requirements listed above

*Views of Responsible Officials*

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

**FINDING 2015-005 - SPECIAL TESTS AND PROVISIONS -  
SEPARATE ACCOUNTABILITY FOR ARRA FUNDING**

Federal Agency: Department of Transportation

Federal Program: ARRA - Formula Grants for Rural Areas

CFDA Number: 20.509

Federal Award Number and Year (or Other Identifying Number): A249-14-320477

Pass-Through Entity: Indiana Department of Transportation

*Condition*

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the Special Test and Provisions - Separate Accountability for ARRA Funding compliance requirement.

The County combined the federal program records of Formula Grants for Rural Areas and ARRA - Formula Grants for Rural Areas into the 20.509 DART Program Grant fund; however, the ARRA - Formula Grants for Rural Areas was required to maintain separate records from the Formula Grants for Rural Areas.

*Context*

No control procedures had been established for the audit period to ensure ARRA - Formula Grants for Rural Areas were maintained by separate records from Formula Grants for Rural Areas.

*Criteria*

2 CFR 176.210(a) states in part:

"To maximize the transparency and accountability of funds authorized under the American Recovery and Reinvestment Act of 2009 (Pub. L. 111-5) (Recovery Act) as required by Congress and in accordance with 2 CFR [215.21](#) 'Uniform Administrative Requirements for Grants and Agreements' and OMB Circular A-102 Common Rules provisions, recipients agree to maintain records that identify adequately the source and application of Recovery Act funds. . . ."

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

COUNTY AUDITOR  
DEKALB COUNTY  
FEDERAL FINDINGS  
(Continued)

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*

Management had not developed a system of internal controls that segregated key functions.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the County.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the County's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

We also recommended that the County comply with the Special Tests and Provisions - Separate Accountability for ARRA Funding requirements of the program.

*Views of Responsible Officials*

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

# DeKalb County Auditor's Office

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Jan Bauman, Auditor  
100 South Main Street  
Auburn, IN 46706  
260-925-2362

December 8, 2016

## CORRECTIVE ACTION PLAN

### FINDING 2015-001 -FINANCIAL TRANSACTIONS AND REPORTING (GATEWAY)

Contact Person Responsible for Corrective Action: Jan Bauman (term beginning 2015)  
Contact Phone Number: 260-925-2362

We concur with the finding.

#### Description of Corrective Action Plan:

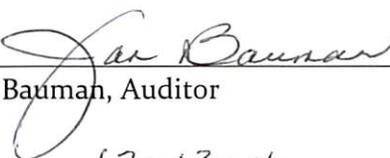
In 2015 we set up two funds in the 2800 series: one for Local Road and Street investments, and another for a Highway investment fund. Investment monies now get transferred in and out to reflect when an investment is made and cashed in. *Item corrected.*

We have already met with Community Corrections and have spoken with our software vendor to change Community Corrections' funds from "fiscal" to "calendar" in the financial software. A plan is ready to be put into place to make the change.

The issue that occurred with the payroll withholding funds due to changing from an ongoing to calendar year basis was a one-time occurrence. The issue is understood and should not happen again.

We will eliminate the Total Monies Invested Fund.

*Anticipated Completed Date: 10-31-17*

  
\_\_\_\_\_  
Jan Bauman, Auditor  
  
12-13-16  
\_\_\_\_\_  
Date

# DeKalb County Auditor's Office

Jan Bauman, Auditor

## FINDING 2015-002 –INTERNAL CONTROLS OVER PAYROLL PROCESSING

Contact Person Responsible for Corrective Action: Jan Bauman (term beginning 2015)  
Contact Phone Number: 260-925-2362

We concur with the finding.

### Description of Corrective Action Plan:

In 2015, segregation of duties began to be addressed. A second payroll processing clerk began assisting in the processing of bi-weekly payroll. In 2016, the payroll department and processes underwent a complete re-evaluation. By October 2016, drastic measures had been taken to correct deficiencies.

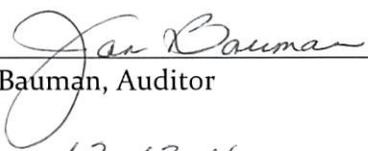
There is a segregation of duties in that two employees verify payroll reports independently of one another and sign their respective reports. *Item corrected.*

Under the guidance of State Board of Accounts in 2014, several issues with payroll withholding funds were researched and corrected. The Auditor and First Deputy have evaluated and monitored payroll withholding funds and have made corrections when necessary. A protocol has been put into place between the HR Department and the Auditor's Office to communicate and monitor changes that need to be made to payroll records. An audit report is regularly run before payroll is distributed to monitor changes and make corrections to individual employee pay records when necessary. The practices will continue. *Item corrected.*

The Auditor and/or First Deputy verify that payroll is paid and posted to the proper funds. When errors are found, they are corrected immediately. Payroll vouchers are being created for all payroll expenditures—employee pay and vendor payments, whether by physical check, ACH, or electronic funds transfer. Vouchers are also being approved by the Commissioners. The Commissioners now see and verify the funds from which employees are paid as well as all payroll withholdings. *Item corrected.*

We need to determine the best way to reconcile Employee Service Records (General Payroll Form no. 99A) with employee earnings records. We are confident that leave time is being used in accordance with the County's Personnel Policy.

*Anticipated Completed Date: 10/31/17*

  
\_\_\_\_\_  
Jan Bauman, Auditor

*12-13-16*  
\_\_\_\_\_  
Date

# DeKalb County Auditor's Office

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Jan Bauman, Auditor

## FINDING 2015-003

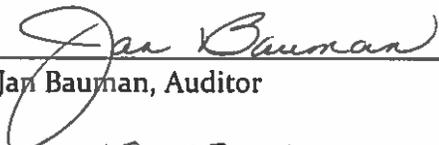
Contact Person Responsible for Corrective Action: Jan Bauman (term beginning 2015)  
Contact Phone Number: 260-925-2362

We concur with the finding.

### Description of Corrective Action Plan:

The Auditor will put on her calendar when to be expecting paperwork, for review and signature, from the Council on Aging. This paperwork would include reimbursement reports and claims so the Council on Aging can receive their grant award.

*Anticipated Completed Date: 12/31/17*

  
\_\_\_\_\_  
Jan Bauman, Auditor  
*12-13-16*  
\_\_\_\_\_  
Date

# DeKalb County Auditor's Office

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Jan Bauman, Auditor

## FINDING 2015-004

Contact Person Responsible for Corrective Action: Jan Bauman (term beginning 2015)  
Contact Phone Number: 260-925-2362

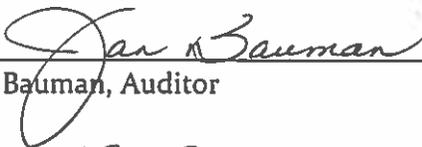
We concur with the finding.

### Description of Corrective Action Plan:

The Auditor will put a protocol into place to assure better internal controls over grant monies.

- 1) The Auditor will help remind the Commissioners every quarter that they should be seeing grant paperwork needing signature for the release of grant monies.
- 2) The Auditor will forward to the bookkeeper copies of all documents that have been presented to the Commissioners for Council on Aging grant monies.
- 3) When monies are received via EFT for the Formula Grants for Rural Areas, the bookkeeper will need to match up LPA voucher copies with the EFT amount before processing payment. If no paperwork can be found, then the Auditor's Office will obtain the paperwork.

*Anticipated Completed Date: 1/31/17*

  
\_\_\_\_\_  
Jan Bauman, Auditor  
  
\_\_\_\_\_  
12-13-14  
Date

# DeKalb County Auditor's Office

---

Jan Bauman, Auditor

## FINDING 2015-005

Contact Person Responsible for Corrective Action: Jan Bauman (term beginning 2015)  
Contact Phone Number: 260-925-2362

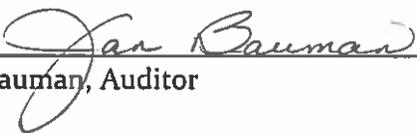
We concur with the finding.

### Description of Corrective Action Plan:

There needs to be clarification of the various grants received by the DeKalb County Council on Aging. The Auditor will arrange a meeting with the Council on Aging Director, along with the bookkeeper and First Deputy to talk about the various grants and their differences.

After a determination has been made as to which are Formula Grants for Rural Areas and which are ARRA Formula Grants for Rural Areas, Recovery Act, the monies will be separated into separate funds.

*Anticipated Completed Date: 1/31/17*

  
\_\_\_\_\_  
Jan Bauman, Auditor

*12-13-14*  
\_\_\_\_\_  
Date

COUNTY AUDITOR  
DEKALB COUNTY  
AUDIT RESULTS AND COMMENTS

**OVERDRAWN CASH BALANCES**

Deficiencies noted in the overdrawn cash balances of the County related to financial transactions and reporting during the prior Report B47286 were still present during the current audit period.

The financial statement presented in this report included the following funds with overdrawn cash balances at December 31, 2015:

Fund	Amount Overdrawn
Alternative Dispute Resolution	\$ 1,382
Self Insurance	88,773

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

**APPROPRIATIONS**

Deficiencies noted in the appropriations of the County related to financial transactions and reporting during the prior Report B47286 were still present during the current audit period.

The records presented for audit indicated the following expenditures in excess of budgeted appropriations for the year 2015:

Fund	Excess Amount Expended
Pre Trial Diversion	\$ 6,050

The records presented for audit indicated the following funds were expended without appropriation for the year 2015 by the County Council:

Fund	Excess Amount Expended
83.534 St Homeland Security Gr	\$ 65,369
20.601 Operation Pullover	11,410
66.818 Brownfield Assmt Grant	782
20.509 DART Program Grant	386,479

COUNTY AUDITOR  
DEKALB COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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."

Indiana Code 36-2-5-2(b) states: "The county fiscal body shall appropriate money to be paid out of the county treasury, and money may be paid out of the treasury only under an appropriation made by the fiscal body, except as otherwise provided by law."

The unit's Location Budget report did not reflect the actual budget activity for all funds and all budgetary actions such as additional appropriations, budgetary transfers, etc.

Controls over the receipting, 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)

***DRAINAGE FUNDS - CONDITION OF RECORDS***

Financial records of the General Drain Improvement and Drainage Maintenance Funds were incomplete for the year 2015. Subsidiary ledgers did not agree to the Control account for General Drain Improvement resulting in an understatement of \$1,211,266 and Drainage Maintenance resulting in an understatement of \$180,146. This was due to not all drain accounts having a subsidiary ledger for both funds.

Although all receipts to and all disbursements from the General Drain Improvement Fund will be posted to the fund ledger sheet kept for that purpose in the General Ledger, it is required that a control also be kept on a subsidiary ledger sheet (Form 63C). Every disbursement from the General Drain Improvement Fund, whether for construction, reconstruction or maintenance, shall be posted to a separate sheet in this record by name of the drain. (Accounting and Uniform Compliance Guidelines Manual for Public Drainage Funds, Chapter 4)

A separate sheet is to be kept for each drain on which an assessment for annual maintenance has been made. Also, a separate sheet is to be kept for each drain on which expense for maintenance that has been paid from the General Drain Improvement Fund, this being for the purpose of showing the sum the maintenance fund for each drain owes the General Drain Improvement Fund. Although all receipts to and disbursements from the Maintenance Funds will be posted to the fund ledger sheet kept for that purpose in the General Ledger, it is required that a control also be kept on a subsidiary ledger sheet (Form 63CM). (Accounting and Uniform Compliance Guidelines Manual for Public Drainage Funds, Chapter 4)

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 County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR  
DEKALB COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 13, 2016, with Jan Bauman, County Auditor; Donald D. Grogg, President of the Board of County Commissioners; and Alan Middleton, President of the County Council.

COUNTY SHERIFF  
DEKALB COUNTY

COUNTY SHERIFF  
DEKALB COUNTY  
AUDIT RESULT AND COMMENT

***ORDINANCES AND RESOLUTIONS***

The County had a resolution (Resolution 2008-R-1) concerning the County travel and expense reimbursement policy. However, the County Sheriff's Department did not comply with the existing resolution pertaining to two occurrences.

Check Number 4044 was for a \$457.96 travel expense reimbursement (hotel and meals); yet there was no evidence of the required travel request form being produced and authorized by the County Commissioners. As well, there were meals consumed during the travel that were reimbursed, totaling \$41.88 on March 14, 2015, which exceeded the one day meal reimbursement limit of \$32.00 (Resolution 2008-R-1; Section II.D.2).

Check Number 4168 was a \$132.84 batch of travel meal invoices pertaining to an employee training trip between August 24, 2015, and September 9, 2015. The employee was reimbursed for the meals, yet there was no evidence of the required travel request form being produced and authorized by the County Commissioners.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

COUNTY SHERIFF  
DEKALB COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 13, 2016, with Donald Lauer, County Sheriff; Donald D. Grogg, President of the Board of County Commissioners; Alan Middleton, President of the County Council; and Jan Bauman, County Auditor.

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BOARD OF COUNTY COMMISSIONERS  
DEKALB COUNTY

BOARD OF COUNTY COMMISSIONERS  
DEKALB COUNTY  
FEDERAL FINDINGS

***FINDING 2015-003 - SUBRECIPIENT MONITORING***

Federal Agency: Department of Transportation  
Federal Program: Formula Grants for Rural Areas  
CFDA Number: 20.509  
Federal Award Number and Year (or Other Identifying Number): A249-15-320466  
Pass-Through Entity: Indiana Department of Transportation

*Condition*

An effective internal control system was not in place at the County in order to ensure compliance with the requirements related to the grant agreement and the compliance requirement: Subrecipient Monitoring.

Monitoring procedures were not in place at the County in order to achieve compliance with requirements related to the grant agreement and the Subrecipient Monitoring compliance requirement. The sub-recipient did not present required reimbursement documentation to the County for review.

Therefore, the County did not review the subrecipient's reimbursement claim and supporting expenditures documentation for only the second quarter of 2015, which is required to be presented to the pass-through entity (Indiana Department of Transportation) to receive grant funds, as noted in the operating grant agreement.

The subrecipient simply provided the required documentation to the pass-through entity before review, bypassing the County established monitoring process. The County does have policies and procedures in place to monitor the subrecipient, but no actual monitoring occurred during the second quarter claim period of 2015 only.

*Context*

The County did not have adequate controls in place to comply with the Subrecipient Monitoring requirement of the Formula Grants for Rural Areas program for the second quarter claim period of 2015 only.

*Criteria*

2 CFR section 200.328 states in part:

"(a) *Monitoring by the non-Federal entity.* The non-Federal entity is responsible for oversight of the operations of the Federal award supported activities. The non-Federal entity must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and performance expectations are being achieved. Monitoring by the non-Federal entity must cover each program, function or activity. . . ."

BOARD OF COUNTY COMMISSIONERS  
DEKALB COUNTY  
FEDERAL FINDINGS  
(Continued)

2 CFR section 200.331 states in part:

"All pass-through entities must: . . .

(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

- (1) Reviewing financial and performance reports required by the pass-through entity. . . ."

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

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 County did not have adequate controls to ensure the subrecipient followed the County established monitoring procedures.

*Effect*

The failure to establish internal controls enabled material noncompliance to go undetected which could have resulted in the loss of federal funds to the County.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the County follow the established internal controls related to the grant agreement and Subrecipient Monitoring compliance requirement.

BOARD OF COUNTY COMMISSIONERS  
DEKALB COUNTY  
FEDERAL FINDINGS  
(Continued)

*Views of Responsible Officials*

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

***FINDING 2015-004 - INTERNAL CONTROLS OVER FORMULA GRANTS FOR RURAL AREAS***

Federal Agency: Department of Transportation

Federal Program: Formula Grants for Rural Areas

CFDA Number: 20.509

Federal Award Number and Year (or Other Identifying Number): A249-15-320466

Pass-Through Entity: Indiana Department of Transportation

*Condition*

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, Matching, Level of Effort, Earmarking, Period of Performance, Program Income, and Reporting compliance requirements.

Due to the lack of the County's review of the subrecipient's reimbursement claim and supporting expenditures documentation for only the second quarter of 2015. There was also a lack of control of the above listed compliance requirements.

The subrecipient simply provided the required documentation to the pass-through entity before review, bypassing the County established internal control procedure over the Formula Grants for Rural Areas program. The County does have internal control policies and procedures in place, but a breakdown of the internal control procedures occurred during the second quarter claim period of 2015 only.

*Context*

The County did not have adequate controls in place to comply with the compliance requirements listed above for the Formula Grants for Rural Areas program for the second quarter claim period of 2015 only.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

BOARD OF COUNTY COMMISSIONERS  
DEKALB COUNTY  
FEDERAL FINDINGS  
(Continued)

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*

Management did not follow the established system of internal controls that segregated key functions.

*Effect*

The failure to establish an effective internal control system placed the County at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with 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 County's management establish and maintain controls, including segregation of duties, related to the grant agreement and compliance requirements listed above

*Views of Responsible Officials*

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

# DeKalb County Commissioners

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Donald D. Grogg, President  
Randall J. Deetz, Vice President  
Jacqueline R. Rowan, Member  
100 South Main Street  
Auburn, IN 46706  
260-925-2362, Fax 260-925-5948

December 8, 2016

## Corrective Action Plan

### **FINDING 2015-003 – Subrecipient Monitoring**

Contact Person Responsible for Corrective Action: Donald D. Grogg  
Contact Phone Number: 260-925-2362

We concur with the finding.

The Commissioners will put on their calendar when to be expecting paperwork, for review and signature, from the Council on Aging. This paperwork would include reimbursement reports and claims so the Council on Aging can receive their grant award.

Anticipated Completed Date: 12-31-2016

  
\_\_\_\_\_  
Donald D. Grogg, President of Commissioners

12-13-16  
\_\_\_\_\_  
Date

# DeKalb County Commissioners

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## **FINDING 2015-004 – Internal Controls over Formula Grants for Rural Areas**

Contact Person Responsible for Corrective Action: Donald D. Grogg  
Contact Phone Number: 260-925-2362

We concur with the finding.

The Commissioners will follow up with the Auditor after each quarter to see if paperwork from the Council on Aging has been submitted for review by the Commissioners.

The Commissioners will encourage the Auditor to prepare a protocol that can be used to track County grants in general. Included in the protocol would be a document that both the Commissioners and Auditor can use for simpler tracking of quarterly reimbursements throughout the year.

Anticipated Completed Date: 6-30-17



Donald D. Grogg, President of Commissioners

12-13-16  
Date

BOARD OF COUNTY COMMISSIONERS  
DEKALB COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 13, 2016, with Donald D. Grogg, President of the Board of County Commissioners; Alan Middleton, President of the County Council; and Jan Bauman, County Auditor.

COUNTY COUNCIL  
DEKALB COUNTY

COUNTY COUNCIL  
DEKALB COUNTY  
AUDIT RESULT AND COMMENT

**APPROPRIATIONS**

Deficiencies noted in the appropriations of the County related to financial transactions and reporting during the prior Report B47286 were still present during the current audit period.

The records presented for audit indicated the following expenditures in excess of budgeted appropriations for the year 2015:

<u>Fund</u>	<u>Excess Amount Expended</u>
Pre Trial Diversion	\$ 6,050

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COUNTY COUNCIL  
DEKALB COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 13, 2016, with Alan Middleton, President of the County Council; Donald D. Grogg, President of the Board of County Commissioners; and Jan Bauman, County Auditor.

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COUNTY DRAINAGE BOARD  
DEKALB COUNTY

COUNTY DRAINAGE BOARD  
DEKALB COUNTY  
AUDIT RESULT AND COMMENT

**GENERAL DRAIN IMPROVEMENTS - DISBURSEMENTS**

Unauthorized uses in the amount of \$21,247.50 were disbursed from drainage funds for Watershed software.

Indiana Code 36-9-27-11 states:

"All expenses of the board shall be paid from money appropriated from the county general fund. Claims for expenses and per diem must be:

- (1) accompanied by an itemized written statement;
- (2) approved by a recorded motion of the board; and
- (3) allowed as provided by statute."

Indiana Code 36-9-27-73(a) states:

"There is established in each county a general drain improvement fund, which shall be used to pay the cost of:

1. constructing or reconstructing a regulated drain under this chapter; and
2. removing obstructions from drains under IC 36-9-27.4.

In addition, if a maintenance fund has not been established for a drain or if a maintenance fund has been established and it is insufficient, the general drain improvement fund shall be used to pay the deficiency."

COUNTY DRAINAGE BOARD  
DEKALB COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 13, 2016, with Randall J. Deetz, President of the County Drainage Board; Michael C. Kline, County Surveyor; Shannon Kruse, Drainage Board Attorney; Donald D. Grogg, President of the Board of County Commissioners; Alan Middleton, President of the County Council; Jan Bauman, County Auditor; and Susan Sleeper, Deputy County Auditor.