

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

AUDIT REPORT

OF

COUNTY AUDITOR

MARSHALL COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED
08/16/2013

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Penny Lukenbill	01-01-12 to 12-31-15
President of the County Council	Matthew Hassel	01-01-12 to 12-31-13
President of the Board of County Commissioners	Kevin Overmyer	01-01-12 to 12-31-13



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 MARSHALL COUNTY

We have audited the records of the County Auditor for the period from January 1, 2012 to December 31, 2012, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Result and Comment. The financial transactions of this office are reflected in the Annual Report of Marshall County for the year 2012.

STATE BOARD OF ACCOUNTS

July 18, 2013

COUNTY AUDITOR
MARSHALL COUNTY
AUDIT RESULT AND COMMENT

***INTERNAL CONTROLS OVER PREPARATION OF SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS***

The Schedule of Expenditures of Federal Awards (SEFA) is required by the U.S. Office of Management and Budget Circular A-133, Audits of States, and Local Governments, and Non-Profit Organizations for entities receiving federal funds in excess of \$500,000 in order to summarize the use of federal monies received. The County did not have proper procedures in place to ensure that the SEFA was materially correct, and included the expenditures of all federal programs awarded to the County. The County's schedule did not include the federal financial assistance for the Highway Planning and Construction program, CFDA No. 20.205, which had expenditures of \$269,106 for 2012.

The County approved and made the adjustment necessary to correct this issue on the Schedule of Expenditures of Federal Awards.

Effective internal control over preparation of the SEFA involves the identification and analysis of the risks of material misstatement to the County's audited SEFA and then determining how those identified risks should be managed. The County has failed to design effective controls over the preparation of the SEFA to prevent or detect material misstatements, including notes to the SEFA.

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, Chapter 1)

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. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY AUDITOR
MARSHALL COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 18, 2013, with Penny Lukenbill, Auditor, and Kevin Overmyer, President of the Board of County Commissioners. The Official Response has been made a part of this report and may be found on pages 6 and 7.



**Marshall County Auditor
Penny Lukenbill
112 W. Jefferson St., Room 205
Plymouth, IN 46563**

Phone: 574-935-8555
email: pennyl@co.marshall.in.us

Fax: 574-936-4863

July 26, 2013

State Board of Accounts
302 W. Washington, Room E 418
Indianapolis, IN 46204-2765

Re: Section II-Financial Statement Finding #2012-01
Internal Controls over Preparation of Schedule of
Expenditures of Federal Awards – Response and Corrective
Action Plan

Response: In 2011, the County initially included the federal highway reimbursements on our Schedule of Federal Awards, but we were subsequently informed that these monies would be audited through the Indiana Department of Transportation as the recipient of the funds and should not be included on the schedule. Since no change in that policy had been communicated to the County by the State Board of Accounts, the reimbursements were not included on the 2012 SEFA, which resulted in the audit finding citing lack of internal controls over the preparation of the SEFA. An email dated June 20, 2012 referred to the CFDA 20.205-Highway Planning and Construction Grant and indicated there was confusion even between US DOT and INDOT about whether local units should include these funds on their SEFAs for audit by the State Board of Accounts. The conclusion was that they were to be included on the schedule going forward. However, the change in reporting requirements was not communicated to the Marshall County Auditor in a timely manner and resulted in the finding in the county's audit. The County feels that this was not a substantive and purposeful error on the part of the County Auditor, but rather a result of confusion and a lack of communication from the various agencies involved.

Corrective Action Plan: The County will take steps to improve our internal controls in preparing the Schedule of Federal Awards in order to make certain that no federal

awards are omitted in future financial statements. We plan to implement a grant procedures guideline which will include requiring all departments to complete a grant summary to supply the details of any grants they apply for and/or receive, thereby providing another set of checks and balances for the Auditor's office procedures.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Penny Lukenbill".

Penny Lukenbill
Marshall County Auditor

cc: Marshall County Board of Commissioners
Marshall County Council