

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CLAY COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
06/16/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Mary Jo Alumbaugh	01-01-11 to 12-31-14
Treasurer	Deborah James	01-01-11 to 12-31-14
Clerk	Victoria Wheeler	01-01-13 to 12-31-16
Sheriff	Michael W. Heaton	01-01-11 to 12-31-14
Recorder	Joseph Dierdorf	01-01-13 to 12-31-16
President of the Board of County Commissioners	Paul R. Sinders	01-01-13 to 12-31-14
President of the County Council	Larry Moss	01-01-13 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDIANAPOLIS, INDIANA 46204-2769

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TO: THE OFFICIALS OF CLAY COUNTY, INDIANA

This report is supplemental to our audit report of Clay 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 Finding, identified in the above referenced audit report, is 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 Finding 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

May 1, 2014

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COUNTY AUDITOR
CLAY COUNTY

COUNTY AUDITOR
CLAY COUNTY
FEDERAL FINDING

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

We noted a deficiency in the internal control system of the County related to financial transactions and reporting. We believe the following deficiency constitutes a material weakness.

Preparation of the Schedule of Expenditures of Federal Awards (SEFA): The County Auditor did not report two federal awards on the SEFA. Effective internal control over financial reporting involves the identification of all federal awards received throughout the county, analysis of the risks of material misstatement to the County's audited financial statement, and determining how those identified risks should be managed. The Auditor should establish procedures for identifying the source of awards that are received by the County and if the source was the federal government the award should be listed on the SEFA. The failure to establish controls resulted in a SEFA with material omissions. Audit adjustments totaling \$108,817 were proposed, accepted by the County, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

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
CLAY COUNTY
FEDERAL FINDING
(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."



MARY JO ALUMBAUGH
AUDITOR OF CLAY COUNTY
609 EAST NATIONAL AVE
ROOM 105
BRAZIL IN 47834
812-448-9001

April 15, 2014

CORRECTIVE ACTION PLAN

Section II – Financial Statement Findings

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

Description of action to be taken:

We will request that Commissioners and Council modify Resolution 3-2012 application for grant to include funding agency, contact information and CFDA number to determine if funds to be received are state or federal.

This request will be made at the May 5, 2014 meeting of Commissioners and Council. And will become effective upon passage.

We would also like to receive the listing provided to State Board of Accounts regarding all state and federal grant money distributed to counties before filing our annual report in order to reconcile all funding received by our county.

Sincerely,

Mary Jo Alumbaugh
County Auditor

5/1/14
Date

COUNTY AUDITOR
CLAY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 1, 2014, with Mary Jo Alumbaugh, Auditor, and Paul R. Sindors, President of the Board of County Commissioners.

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COUNTY SHERIFF
CLAY COUNTY

COUNTY SHERIFF
CLAY COUNTY
AUDIT RESULTS AND COMMENTS

ANNUAL REPORT

The Annual Report for 2013 did not include Inmate Trust as a fund. The Sheriff changed his method of accounting for the Inmate Trust activity and failed to report the transactions to the Auditor to be included in the Annual Report.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

BANK ACCOUNT RECONCILIATIONS

Reconciliations of the Sheriff's Cash Book fund balances to the bank accounts were performed but the reconciliations were incorrect. The Sheriff does not exercise a proper cut-off when doing month-end reconciliations. The Cash Book balance generated by the software for the end of the month includes entries that are dated in the subsequent month. In addition to the subsequent entries, there are also uncorrected errors. Any differences between the Cash Book balance and the generated reconciliation balance are not investigated and corrected, resulting in the record cash balances not actually being reconciled to the bank.

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



CLAY COUNTY SHERIFF'S OFFICE

611 East Jackson Street, Brazil, Indiana 47834

MICHAEL W. HEATON

SHERIFF

Office: 812-446-2535

Fax: 812-446-0941

OFFICAL RESPONSE

Date: 2nd of May 2014

To: State Board of Accounts
302 West Washington Street
Room E 418
Indianapolis, Indiana 46204-2765

From: Sheriff Michael W. Heaton
Clay County Sheriff's Office
611 East Jackson Street
Brazil, Indiana 47834

Re: OFFICAL RESPONSE

State Board of Accounts,

This letter is in reference to the recent audit conducted for 2013 books for the Clay County Sheriff's Office. As Sheriff it is my responsibility to make sure that everything is accounted for when it comes to the finances of my office and to ensure that everything is well documented.

Since 2007, when I was elected Sheriff, I have worked very hard to conform to the State Board of Accounts rules. Over the years my staff and I, along with State Board of Accounts staff members, have cleaned up and straightened out several identified areas of the book keeping issues. As a State Board of Account Staff Member stated, "There has been a lot of hard work and progress made over the years."

In the recent audit there were comments (arc) made about the Inmate Trust Account being removed from the Sheriff's Cash Book and the account not being reported. I realized this issue after the CARS report was submitted and the audit had begun. This was simply an over site on my part and take full responsibility. During the process of opening the new account and moving the money from the Sheriff's Cash Book to the Inmate Trust Account, I was in contact with Tammy White, of State Board of Accounts,

during this move and explaining to her my intentions and how I planned on completing this task. I greatly thank her for her assistance and guidance.

Issue two seems to be a reoccurring software issue when it comes to reconciling the books to the monthly bank statement. This I will continue to work on and try to find a solution to by working with the software vendor.

It has been a pleasure working with the field examiners every year and other staff members throughout the years. I take great pride in my position as Sheriff of Clay County and will continue to work with the State Board of Accounts on resolving any issues.

Sincerely,



Michael W. Heaton
Sheriff of Clay County, Indiana

COUNTY SHERIFF
CLAY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 1, 2014, with Michael W. Heaton, Sheriff; Avalee Stanton, Sheriff's Matron; and Paul R. Sinderson, President of the Board of County Commissioners.