

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

RANDOLPH COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
07/18/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Mary Ann Lenkensdofer	01-01-11 to 12-31-14
Treasurer	Jane A. Grove	01-01-11 to 12-31-14
Clerk	Laura J. Martin	01-01-13 to 12-31-16
Sheriff	Ken Hendrickson	01-01-11 to 12-31-14
Recorder	Debbie L. Preston	01-01-11 to 12-31-14
Area Planning Director	Jamie Stump	01-01-13 to 12-31-14
Airport Manager	Eric L. Livingston	01-01-13 to 12-31-14
President of the Board of County Commissioners	William H. Terrell Michael Wickersham	01-01-13 to 12-31-13 01-01-14 to 12-31-14
President of the County Council	Max Holaday Gary Friend	01-01-13 to 12-31-13 01-01-14 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF RANDOLPH COUNTY, INDIANA

This report is supplemental to our audit report of Randolph 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 Result and Comment 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 Result and Comment contained herein describes 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 Result and Comment, incorporated within this report, were not verified for accuracy.

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

May 22, 2014

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COUNTY AUDITOR
RANDOLPH COUNTY

COUNTY AUDITOR
RANDOLPH 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 Chief Deputy Auditor indicates that she reviews the funds ledger monthly but does not have sufficient documentation of the review.
2. **Monitoring of Controls:** Effective internal control over financial reporting requires the County's Board of Commissioners to monitor and assess the quality of the County's system of internal control. The County's Board of Commissioners has 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 and correct, material misstatements in a timely manner. Additionally, the County has no process to identify or communicate corrective actions to improve controls.

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)

FINDING 2013-002 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO AIRPORT IMPROVEMENT PROGRAM

Federal Agency: Federal Aviation Authority

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Number and Year (or Other Identifying Number): 3-18-0088-011, 3-18-0088-013,
3-18-0088-014, 3-18-0088-015

COUNTY AUDITOR
RANDOLPH COUNTY
FEDERAL FINDINGS
(Continued)

Testing of the internal control system revealed that there was no evidence that amounts reimbursed with federal funds were reviewed for Allowable Costs/Cost Principals, Cash Management, Matching, Period of Availability, or Reporting requirements of the grant. In addition, the Davis-Bacon requirements were being monitored by the grant administrator rather than management of the County.

Management of the County has not established an effective internal control system, related to the grant agreement and all of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Allowable Costs/Cost Principals, Cash Management, Davis-Bacon, Matching, Period of Availability, and Reporting. The failure to establish an effective internal control system places 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 also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the County.

We recommended that the County's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

Randolph County Auditor

Mary Ann Lenkensdofer

100 S Main Street, Room 102 | Winchester, Indiana 47394 | Phone: 765-584-6700

maryann.lenkensdofer@randolphcountyin.net

May 22, 2014

Corrective Action Plan

Responsible Party: Mary Ann Lenkensdofer, Auditor

Anticipated Completion: End of Month (1) and Year End (2)

Finding: 2013-001

1. Preparing Financial Statements- It has always been a practice in our county to print and review the funds ledger monthly with the Treasurer. In the future both offices will continue to review the funds and initial and date. The ledgers will be taken to the Commissioners/Council boards for their review each month. The financial statement is uploaded from the LOW system into the Gateway by the Chief deputy Auditor and is reviewed and signed by the Auditor.
2. Monitoring of Controls – We will develop a policy with the County Executive board that will assess department by department the internal controls currently in place. Our goal is to develop a plan to include a control of the environment, risk assessment, controlled activities, information & communication and monitoring. The first areas to be reviewed will be cash handling, customer service and compliance with the laws and regulations.

Respectfully,



Mary Ann Lenkensdofer
Randolph County Auditor

Randolph County Auditor

Mary Ann Lenkensdofer

100 S Main Street, Room 102 | Winchester, Indiana 47394 | Phone: 765-584-6700

maryann.lenkensdofer@randolphcountyin.net

May 22, 2014

Corrective Action Plan

Responsible Party: Mary Ann Lenkensdofer, Auditor

Anticipated Completion: initiated on May 19th, 2014

Finding: 2013-002

Internal Control and segregation of duties- In review of internal controls and segregation of duties for federal grants we will supply ledgers containing receipts and disbursements to Commissioners and the Airport Manager for their review. We will have them initial and date the review of these documents. Our office will supply ledgers involving matching dollars which shows the repayment of these dollars to borrowed funds. The County Council will be receiving ledgers showing where all funds have been reimbursed. The Chief Deputy Auditor, Airport Manager, Commissioners and County Council will initial and date all of the reviewed documents for compliance.

Respectfully,



Mary Ann Lenkensdofer
Randolph County Auditor



*Randolph County Airport
2937 East State Road 32
Winchester, IN 47394
765-584-3611*

CORRECTIVE ACTION PLAN

Responsible Party: Randolph County Airport. (Eric Livingston-Airport Manager and BOAC)
Anticipated Completion: When SEFA Report is prepared.
Finding: 2013-002

We the owner (Randolph County Airport Board of Aviation Commissioners) hires BF&S (Grant Administrator & Project Engineer) to do on site pay roll interviews and compares with certified payrolls from the contractor. Certified payrolls from the contractor are then checked against project wage rates which are set by Federal Law. Airport Manager does witness the onsite payroll interviews. From this point on, the Airport Manager or BOAC member will also compare certified payrolls against project wage rates which are set by Federal Law (Davis Bacon requirements).

SBA claims that the local community does not have an established effective internal control system with segregation of duties which could place Randolph County at risk of compliance with requirements.

The Randolph County Airport and local community does have a practice in place that provides for segregation of duties to ensure compliance to the FAA Grant Assurances.

The summary of the process is provided below:

The claims are collected and submitted by either the vendor or Aviation Consultant to the airport for review/approval at the monthly BOAC meetings.

Upon review and approval by the BOAC the Pay Request is submitted electronically to the FAA through the E-Invoicing system by the Grant Administrator of the Aviation Consultant.

The E-Invoicing system provides notification of payments to the Airport Consultant's Grant Administrator, Airport Manager and County Treasurer. This notification provides all entities a notification that deposits have been made and allows for separation of duties as well as redundancy to insure that payments are processed in a timely and efficient manner.

The claims are taken by the Airport Manager to the County Auditor for review, processing and payment.

Eric L. Livingston
Randolph County Airport Manager.

Dr. William Johnson
President

Dale Moore
Treasurer

Phillip Holliday
Secretary

Daniel Mills
Member

Eric Livingston
Manager

COUNTY AUDITOR
RANDOLPH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 22, 2014, with Mary Ann Lenkensdofer, Auditor; Eric L. Livingston, Airport Manager; Michael Wickersham, President of the Board of County Commissioners; and Gary Friend, President of the County Council.

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AREA PLANNING COMMISSION
RANDOLPH COUNTY

AREA PLANNING COMMISSION
RANDOLPH COUNTY
AUDIT RESULT AND COMMENT

DEPOSITS

Receipts for the Area Planning Commission were being remitted to the County Treasurer no more than one time per week.

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

Randolph County Commissioners

Randolph County Courthouse

100 South Main Street

Winchester, Indiana 47394

Phone: (765) 584-6700

OFFICIAL RESPONSE

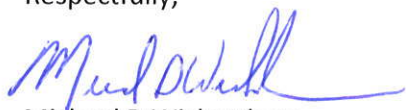
May 22, 2014

Area Planning Commission 2013 finding and response

Timing of Deposits-

It has been duly noted that monies received in Area Planning Commission in the past were not receipted into the Auditor's Office on a timely basis. Corrective measures have been taken to safeguard monies received in the Area Planning Office. Employees will be instructed that all monies will be receipted into the Auditor's Office within one business day of receiving funds. The Auditor's office will be balancing with the Area Planning records at least on a monthly basis.

Respectfully,



Michael D Wickersham

Randolph County Commissioner President

AREA PLANNING COMMISSION
RANDOLPH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 22, 2014, with Jamie Stump, Area Planning Director; Mary Ann Lenkensdofer, Auditor; Michael Wickersham, President of the Board of County Commissioners; and Gary Friend, President of the County Council.