

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

OWEN COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
08/01/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Michael L. Wood	01-01-13 to 12-31-16
Treasurer	Tami Snodgrass	01-01-11 to 12-31-14
Clerk	Jeffrey Brothers	01-01-11 to 12-31-14
Sheriff	Chester Richardson III	01-01-11 to 12-31-14
Recorder	Peggy Robertson	01-01-11 to 12-31-14
President of the Board of County Commissioners	Donnie Minnick	01-01-13 to 12-31-14
President of the County Council	Patty Steward	01-01-13 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF OWEN COUNTY, INDIANA

This report is supplemental to our audit report of Owen 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

May 21, 2014

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COUNTY AUDITOR
OWEN COUNTY

COUNTY AUDITOR
OWEN COUNTY
FEDERAL FINDINGS

**FINDING 2013-001 - INTERNAL CONTROLS OVER THE PREPARATION
OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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:

The County did not have a proper system of internal control 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 control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: The federal expenditures reported on the SEFA were understated by \$124,542. Also, many required sections of the SEFA were either incorrect or incomplete.

Audit adjustments 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:

- (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.

COUNTY AUDITOR
OWEN COUNTY
FEDERAL FINDINGS
(Continued)

- (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 the 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 2013-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted the following deficiencies in the internal control system of the Auditor and Treasurer related to financial transactions and reporting. The failure to establish and maintain internal controls could enable material misstatements or irregularities to remain undetected. We believe the following deficiencies constitute a material weakness:

- The Treasurer did not complete monthly reconcilements of the Cash Book to the bank balance beyond April 30, 2013.
- Monthly reconciliations of the Treasurer's Cash Book to the Auditor's fund ledger were not performed in 2013. As of December 31, 2013, the Treasurer's Cash Book fund ledger balance reported \$9,921.83 more than the Auditor's fund ledger balance; this difference was determined to be an immaterial amount.

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)

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)

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."



**OWEN COUNTY AUDITOR
60 S. MAIN ST. COURTHOUSE
ROOM 202
SPENCER, IN 47460
(812) 829-5000**

(Email: auditor@owencounty.in.gov)

May 28th, 2014

CORRECTIVE ACTION PLAN

FINDING 2013-001 – INTERNAL CONTROL OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action: Michael L. Wood

Contact Phone Number: (812) 829-5000

Corrective Action Plan:

The Owen County Auditor will work diligently with all department heads and county offices to ensure accurate reporting of all grant information on the Schedule of Expenditures of Federal Awards (SEFA).

The Owen County Auditor will review the Federal Grants site to ensure that all information provided is accurate in the Gateway system for federal grant reporting.

Michael L. Wood, Auditor



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May 28th, 2014

CORRECTIVE ACTION PLAN

FINDING 2013-002 – INTERNAL CONTROL OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Michael L. Wood

Contact Phone Number: (812) 829-5000

Corrective Action Plan:

As has been stated, Owen County went live with a new software system on Jan. 1 2013. There have been issues with getting adequate training and resources to help with issues related to the reporting and monthly bank reconciliations. The software vendor continues to support and work toward a resolution to all related issues to the reporting and financial records of the County.

The Owen County Auditor and Owen County Treasurer have discussed the best way to establish a control on a monthly basis to provide reasonable assurance that the cash book and the bank along with the funds ledger are correct. Reporting will be done on a monthly basis, reports will be provided to the Treasurer from the Auditor to compare receipts to expenditures to make sure that the cash book does reflect the same, and if not, then it will be investigated at that time why there is a discrepancy.

The County Treasurer and County Auditor are working with the software vendor to assure that all bank reconciliations are done monthly and continue to work to provide the best possible reporting of all funds and monies in the bank.

This should avoid these issues in the future.


Michael L. Wood, Auditor


Tami Snodgrass, Treasurer

COUNTY AUDITOR
OWEN COUNTY
AUDIT RESULTS AND COMMENTS

EXECUTIVE SESSION MEMORANDA AND MINUTES

The Auditor advertised legal notices for eight executive sessions throughout the year 2013. Memorandum for one executive session was presented for audit. Neither the Auditor nor the Commissioners presented memoranda and minutes for the remaining seven advertised executive sessions.

Indiana Code - Section 5-14-1.5-6.1 states in part:

"(d) Public notice of executive sessions must state the subject matter by specific reference to the enumerated instance or instances for which executive sessions may be held under subsection (b). The requirements stated in section 4 of this chapter for memoranda and minutes being made available to the public is modified as to executive sessions in that the memoranda and minutes must identify the subject matter considered by specific reference to the enumerated instance or instances for which public notice was given. The governing body shall certify by a statement in the memoranda and minutes of the governing body that no subject matter was discussed in the executive session other than the subject matter specified in the public notice."

FUND SOURCES AND USES

Receipts and disbursements of the County's portion of CAGIT funds were incorrectly held and expended directly from the CAGIT Distribution fund (fund number 7311). The County's portion of CAGIT received in 2013 was \$1,607,842; the County expended \$1,427,466, leaving a balance of \$180,376 in the CAGIT Distribution fund at year end.

The CAGIT Distribution fund is to be used as a clearing fund for CAGIT receipts and distributions for all local units of government and should have no ending balance at year end. CAGIT distributions for other local units were properly receipted and disbursed from this fund. The County's portion of the CAGIT distribution is to be accounted for in the CAGIT County Certified Shares fund (fund number 1110).

COUNTY AUDITOR
OWEN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

The County also has a clearing account fund for CEDIT distributions. At December 31, 2013, the CEDIT Distribution fund had a balance of \$50,288. This money is from a 2010 transaction that has remained uncorrected.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

OVERDRAWN CASH BALANCES

The financial statements presented in this report included the following funds with overdrawn cash balances at December 31, 2013:

<u>Fund</u>	<u>Amount Overdrawn</u>
Payroll Clearing Fund	\$ 253,317
Wheel Tax	4,220
Sur Tax	25,490
HEA 1001 State Homestead Credit	1,956

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)

COUNTY AUDITOR
OWEN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 21, 2014, with Michael L. Wood, Auditor.

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COUNTY TREASURER
OWEN COUNTY

COUNTY TREASURER
OWEN COUNTY
FEDERAL FINDING

FINDING 2013-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

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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."



**OWEN COUNTY AUDITOR
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May 28th, 2014

CORRECTIVE ACTION PLAN

FINDING 2013-002 – INTERNAL CONTROL OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Michael L. Wood

Contact Phone Number: (812) 829-5000

Corrective Action Plan:

As has been stated, Owen County went live with a new software system on Jan. 1 2013. There have been issues with getting adequate training and resources to help with issues related to the reporting and monthly bank reconciliations. The software vendor continues to support and work toward a resolution to all related issues to the reporting and financial records of the County.

The Owen County Auditor and Owen County Treasurer have discussed the best way to establish a control on a monthly basis to provide reasonable assurance that the cash book and the bank along with the funds ledger are correct. Reporting will be done on a monthly basis, reports will be provided to the Treasurer from the Auditor to compare receipts to expenditures to make sure that the cash book does reflect the same, and if not, then it will be investigated at that time why there is a discrepancy.

The County Treasurer and County Auditor are working with the software vendor to assure that all bank reconciliations are done monthly and continue to work to provide the best possible reporting of all funds and monies in the bank.

This should avoid these issues in the future.


Michael L. Wood, Auditor

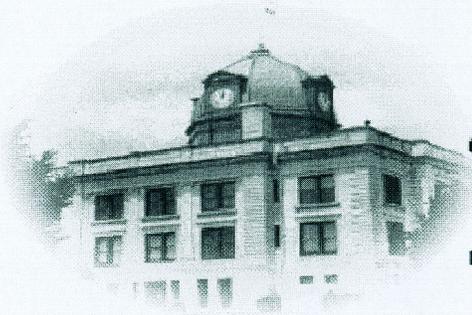

Tami Snodgrass, Treasurer

COUNTY TREASURER
OWEN COUNTY
AUDIT RESULT AND COMMENT

BANK ACCOUNT RECONCILIATIONS

The Treasurer's depository reconciliations of the fund balances to the bank account balances were not completed beyond April 30, 2013.

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."



Tami Snodgrass
Owen County Treasurer
60 S. Main Street Room 200
Spencer, IN 47460
Phone (812) 829-6011
Email: tami.snodgrass@owencounty.in.gov

May 21, 2014

To whom it may concern:

Regarding the 2013 State Board of Accounts Audit:

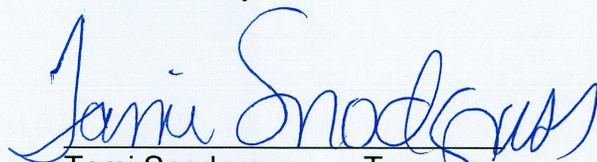
January 1, 2013 Owen County implemented new financial software program called New World Systems (NWS). This was done as a new implementation and not a conversion of data and as of this date (02/26/14) still in the process of completing the full set up of this program.

Cashbook & Treasurer's cashbook/excel worksheet & Treasurer's annual report were maintained throughout the year despite not having the NWS fully function able. Payroll account which was opened 01/01/13, has been reconciled 01/01/13 thru 01/31/14. All receipts and expenditures are being processed thru NWS the only feature that is in process regarding the Treasurer's office is the Bank Reconciliation module.

PSB (main checking account) is reconciled thru 04/30/13 in the NWS program. The Cashbook & annual report are in balance with the Excel worksheet and thru the NWS reconciled thru 04/30/13. We are working with NWS to complete the remaining 8 months of 2013 in the quickest possible time. I am confident that cashbook reflects an accurate position of the cash balance in the accounts held by Owen County.

Best Regards,

Owen County


Tami Snodgrass, Treasurer

COUNTY TREASURER
OWEN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 21, 2014, with Tami Snodgrass, Treasurer.

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BOARD OF COUNTY COMMISSIONERS
OWEN COUNTY

BOARD OF COUNTY COMMISSIONERS
OWEN COUNTY
AUDIT RESULT AND COMMENT

EXECUTIVE SESSION MEMORANDA AND MINUTES

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BOARD OF COUNTY COMMISSIONERS
OWEN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 21, 2014, with Donnie Minnick, President of the Board of County Commissioners.