

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

PARKE COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
08/08/2014

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
County Auditor:	
Federal Findings:	
Finding 2013-001 - Internal Control and Compliance Over the Schedule of Expenditures of Federal Awards	6-7
Finding 2013-002 - Internal Controls Over Compliance Requirements That Have a Direct and Material Effect to Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	7-8
Finding 2013-003 - Reporting	8
Corrective Action Plan	9-10
Exit Conference	11
County Treasurer:	
Audit Results and Comments:	
Treasurer's Certificate of Tax Collections (49TC)	14
Condition of Records	14
Exit Conference	15
County Convention and Visitors Commission:	
Audit Result and Comment:	
Condition of Records	18
Exit Conference	19
County Redevelopment Commission:	
Audit Results and Comments:	
Condition of Records	22
Internal Controls	22
Exit Conference	23
County Health Department:	
Audit Result and Comment:	
Deposits	26
Official Response	27
Exit Conference	28

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Pam Adams	01-01-11 to 12-31-14
Treasurer	Mary A. Gregg	01-01-13 to 12-31-16
Clerk	Diana Hazlett	01-01-11 to 12-31-14
Sheriff	D. Michael Eslinger	01-01-11 to 12-31-14
Recorder	Mary Jo Harkrider	01-01-13 to 12-31-16
President of the Board of County Commissioners	Jim Meece	01-01-13 to 12-31-14
President of the County Council	James A. Rahn	01-01-13 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF PARKE COUNTY, INDIANA

This report is supplemental to our audit report of Parke 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

June 25, 2014

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COUNTY AUDITOR
PARKE COUNTY

COUNTY AUDITOR
PARKE COUNTY
FEDERAL FINDINGS

**FINDING 2013-001 - INTERNAL CONTROL AND COMPLIANCE OVER
THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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 ARRA - State Broadband Data and Development Grant Program was omitted from the schedule. The Child Support Enforcement amount reported did not include the reimbursement portion of the funding. There were some amounts included that were not from federal funding sources such as local match money and an error correction from the prior period. In the Edward Byrne Memorial Justice Assistance Grant Program and Public Health Emergency Preparedness, the funding was from two separate programs, but was combined into one line. One grant was marked as a pass-through, but was direct. ARRA funding for Child Support Enforcement, although identified as ARRA was not shown as a separate program. There were several incorrect pass-through entity identifying numbers. It appeared that the numbers were not updated from the prior year. 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
PARKE 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 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 COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO COMMUNITY DEVELOPMENT BLOCK GRANT/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grant/State's
Program and Non-Entitlement Grants in Hawaii
CFDA Number: 14.228
Federal Award Number and Year (or Other Identifying Number): CF-10-216 2012
Pass-Through Entity: Indiana Office of Community and Rural Affairs

Management of the County has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirement of Reporting that has a direct and material effect to the program. Semiannual reports required by the grant agreement were not filed for the program during the audit period. There were no controls in place to identify that reports were not filed or to ensure that reports were filed accurately and timely. 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, 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.

COUNTY AUDITOR
PARKE COUNTY
FEDERAL FINDINGS
(Continued)

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.

FINDING 2013-003 - REPORTING

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grant/State's
Program and Non-Entitlement Grants in Hawaii
CFDA Number: 14.228
Federal Award Number and Year (or Other Identifying Number): CF-10-216 2012
Pass-Through Entity: Indiana Office of Community and Rural Affairs

As part of the grant agreement, the County is required to submit semiannual reports to the Indiana Office of Community and Rural Affairs, but the County did not file any semiannual reports during the audit period.

The Indiana CDBG Handbook states in part:

"OCRA requires Grantees to report on grant progress through the life of the project and in some cases following the closeout of the project. It is very important to note that should any of the reports listed below not be submitted to OCRA by the stated due dates, the reports will be considered past due and all future grant requests by the Grantee will be denied until the reports are submitted and approved. These reports include:

1. Semi Annual Reports - All Grantees must submit this report every six months (due by January 31 and July 31) until the project is closed out."

The County did not comply with the requirements of the pass-through agency. As stated in the handbook, any future grant requests will be denied until the reports are submitted and approved.

We recommended that officials prepare all required reports on a timely basis, and that they contact the Indiana Office of Community and Rural Affairs regarding whether to file previously required reports.

Pam Adams
Parke County Auditor
116 West High Street, Room 104
Rockville, IN 47872
765-569-3422 or FAX 765-569-4037
auditor@parkecounty-in.gov



PARKE COUNTY CORRECTIVE ACTION PLAN

FINDING 2013-001 - INTERNAL CONTROL AND COMPLIANCE OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person: Pam Adams
Title of Contact Person: Parke County Auditor
Phone Number: 765-569-3422
Expected Completion Date: on or before September 1, 2014

Corrective Action:

Develop a spreadsheet log of all grant(s) that will contain all required reporting fields; the spreadsheet will be updated at the beginning of each month listing new grants, renewal information, updates (such as when identification numbers change), revenue/reimbursement information, pass-through entity information, matching funds, non-cash assistance, disbursements and any other pertinent data. The information will be entered onto the log by one Deputy Auditor and will be verified by a second Deputy Auditor. When the SEFA report is due through the Indiana Gateway the Auditor will enter the data and will print the SEFA report to be verified by Deputy Auditor's for accuracy prior to submission.

FINDING 2013-002 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO COMMUNITY DEVELOPMENT BLOCK GRANT/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII

Contact Person: Pam Adams
Title of Contact Person: Parke County Auditor
Phone Number: 765-569-3422
Expected Completion Date: on or before September 1, 2014

Corrective Action:

Develop a checklist and calendar for each grant which will identify when required actions and reports are due and by whom (department, unit and/or third party administrator). A Deputy Auditor will contact the responsible department, unit and/or third party administrator prior to each required action to determine the status of said required action and to ensure there are no impediments to fulfilling the requirements completely and on time.

FINDING 2013-003 - REPORTING

Contact Person: Pam Adams
Title of Contact Person: Parke County Auditor
Phone Number: 765-569-3422
Expected Completion Date: on or before September 1, 2014

Corrective Action:

Will contact the Indiana Office of Community and Rural Affairs regarding submission of the omitted 2013 semi-annual reports; and submit the semi-annual reports for 2013 if required.

SIGN: *Pam Adams*
TITLE: Parke County Auditor
DATE: 06/24/2014

COUNTY AUDITOR
PARKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 25, 2014, with Pam Adams, Auditor; Jim Meece, President of the Board of County Commissioners; and John K. Pratt, Vice President of the County Council.

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COUNTY TREASURER
PARKE COUNTY

COUNTY TREASURER
PARKE COUNTY
AUDIT RESULTS AND COMMENTS

TREASURER'S CERTIFICATE OF TAX COLLECTIONS (49TC)

The excise tax collections certified on the Treasurer's Certificate of Tax Collections (49TC) for the spring settlement did not equal the Treasurer's Cash Book excise tax at the time of certification. The total line for License Excise Tax Collected on the spring settlement was overstated by \$18,179.46. The Deputy Treasurer included aircraft (\$18,004.22) and auto rental (\$175.24) twice in the calculation.

At the time of each semiannual tax settlement the treasurer shall report such tax collections, together with the aircraft license excise tax and auto rental excise tax collections discussed in this section, on County Form 49TC, County Treasurer's Certificate of Tax Collections, and the total shown by the county auditor's records shall be verified with the treasurer's certificate before distribution is made. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 6)

CONDITION OF RECORDS

The spring settlement disbursement for License Excise Tax was \$501,377.91 but when the Deputy Treasurer posted it to the Cash Book the total amount was deducted from the Vehicle License Excise Tax line instead of being broken out between Vehicle License Excise, Auto Rental Excise, and Boat Excise. When the error was discovered, the Treasurer adjusted beginning balances for June 1 rather than to make a correcting entry in the Treasurer's Cash Book to the Vehicle License Excise, Auto Rental Excise, and Boat Excise.

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 Treasurers of Indiana, Chapter 10)

COUNTY TREASURER
PARKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 25, 2014, with Mary A. Gregg, Treasurer; Pam Adams, Auditor; Jim Meece, President of the Board of County Commissioners; and John K. Pratt, Vice President of the County Council.

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COUNTY CONVENTION AND VISITORS COMMISSION
PARKE COUNTY

COUNTY CONVENTION AND VISITORS COMMISSION
PARKE COUNTY
AUDIT RESULT AND COMMENT

CONDITION OF RECORDS

The activity of the Postage fund was not included on the ledger for the County Convention and Visitors Commission. Activity for this fund included beginning balance of \$1,055.98, receipts of \$5,000, disbursements of \$5,248.64, and ending balance of \$807.34. Transactions were abstracted from bank statements.

The Supplemental Annual Report submitted to the Auditor did not include all of the disbursements for December 2013. Two checks were omitted that totaled \$550.26.

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 CONVENTION AND VISITORS COMMISSION
PARKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 25, 2014, with Jameson Hibbs, Convention and Visitors Commission Treasurer; John K. Pratt, Vice President of the County Council; Jim Meece, President of the Board of County Commissioners; and Pam Adams, Auditor.

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COUNTY REDEVELOPMENT COMMISSION
PARKE COUNTY

COUNTY REDEVELOPMENT COMMISSION
PARKE COUNTY
AUDIT RESULTS AND COMMENTS

CONDITION OF RECORDS

Financial records presented for audit were incomplete and some of the deficiencies included:

1. Receipts (Form 352) were not completed.
2. Bank reconcilements were not performed monthly.
3. Deposits were not made timely. Local distributions were deposited up to six months late.
4. Local distributions that totaled \$291,159.92 were deposited into a savings account and were not accounted for in the Operating fund on the ledger.
5. Two local distributions were issued in July 2013 for \$5,250 that were not deposited or posted to the ledger. The checks are included on the outstanding checklist for the County.

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)

INTERNAL CONTROLS

Internal controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. A similar comment was included in prior Report B42312.

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 REDEVELOPMENT COMMISSION
PARKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 25, 2014, with Greg Harbison, President of the Redevelopment Commission; James R. Bosley, Redevelopment Commission Treasurer; John K. Pratt, Vice President of the County Council; Jim Meece, President of the Board of County Commissioners; and Pam Adams, Auditor.

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COUNTY HEALTH DEPARTMENT
PARKE COUNTY

COUNTY HEALTH DEPARTMENT
PARKE COUNTY
AUDIT RESULT AND COMMENT

DEPOSITS

Receipts were remitted to the County Auditor later than the next business day in 8 percent of receipts tested.

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 . . ."



**PARKE COUNTY HEALTH DEPARTMENT
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Fax 765-569-4061**

OFFICIAL RESPONSE

June 25, 2014

**State Board of Accounts
302 West Washington Street
Room E 418
Indianapolis, IN 46204-2765**

This letter is in response to the State Board of Accounts audit exit conference of Parke County Health Department for the period January 1, 2013 to December 31, 2013 held on June 25, 2014.

We would like to acknowledge the shortcomings of the 2013 Health Department and let it be known that steps have already been taken to alleviate the problems with the septic applications, food permits and receipts by implementing spreadsheets tracking the aforementioned.

**Mary C. Pierce, President
Parke County Health Board**

**Liddy Dowd-Wright
Sanitarian/Health Inspector**

**Cathy Delp
Clerk/Registrar**

COUNTY HEALTH DEPARTMENT
PARKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 25, 2014, with Mary C. Pierce, President of the Health Board; Elizabeth Dowd-Wright, Sanitarian; Cathy Delp, Clerk/Registrar; Jim Meece, President of the Board of County Commissioners; John K. Pratt, Vice President of the County Council; and Pam Adams, Auditor.