

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CASS COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
08/22/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Vaneen M. Ide	01-01-13 to 12-31-16
Treasurer	Kathleen Adair	01-01-13 to 12-31-16
Clerk	Beth Liming	01-01-13 to 12-31-16
Sheriff	Randy Prior	01-01-11 to 12-31-14
Recorder	Patricia Williams	01-01-11 to 12-31-14
President of the Board of County Commissioners	David Arnold James L. Sailors	01-01-13 to 12-31-13 01-01-14 to 12-31-14
President of the County Council	George L. Stebbins	01-01-13 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of Cass 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, incorporated within this report, was not verified for accuracy.

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

July 22, 2014

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COUNTY AUDITOR
CASS COUNTY

COUNTY AUDITOR
CASS COUNTY
FEDERAL FINDINGS

***FINDING 2013-001 - INTERNAL CONTROLS AND COMPLIANCE
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. **Lack of Segregation of Duties:** Control activities should be selected and developed at various levels of the County to reduce risks to the achievement of financial reporting objectives. The County has not separated incompatible activities related to receipts, disbursements, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.
2. **Preparing Financial Statement:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the County's audited financial statements and then determining how those identified risks should be managed. The County has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement. The Auditor independently prepares the financial statement without oversight, review, or approval.
3. **Monitoring of Controls:** Effective internal control over financial reporting requires the Board of County Commissioners to monitor and assess the quality of the County's system of internal control. The Board of County Commissioners has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the County at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the County has no process to identify or communicate corrective actions to improve controls.

During the audit of the County's financial statement, we noted several funds which were reported incorrectly. The failure to report fund transactions and balances accurately resulted in the Beginning Cash and Investment Balances, Receipts, Disbursements, and Ending Cash and Investment Balances on the County's financial statement presented for audit to be understated by \$701,302, \$823,144, \$998,631, and \$525,815, respectively. Audit adjustments were proposed, accepted by the County, and made to the financial statement presented in this report. These adjustments resulted in a presentation of the financial statement that is fairly stated in all material respects.

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) (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR
CASS COUNTY
FEDERAL FINDINGS
(Continued)

Indiana Code 5-11-1-4 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."

***FINDING 2013-002 - INTERNAL CONTROLS 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. The Auditor independently prepares the SEFA without oversight, review, or approval.

During the audit of the SEFA, we noted that federal expenditures reported by the County were overstated by \$484,197.87. The County erroneously included expenditures for reimbursement basis grants for which the reimbursements had not yet been received. 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 County Auditors of Indiana, Chapter 14)

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 in part:

"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
CASS COUNTY
FEDERAL FINDINGS
(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 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."

*Cass County Auditor
Vaneen M. Ide
Cass County Government Building
200 Court Park Room 105
Logansport, IN 46947
574-753-7722
van.ide@co.cass.in.us*

Corrective Action Plan

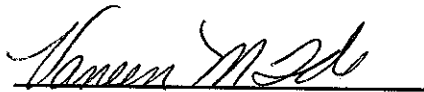
2013-001

Vaneen M. Ide

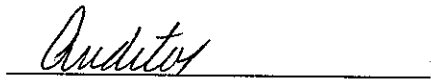
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The following actions will be put into place. All reports concerning funding will be checked by another individual and initialed. The financial statement will be reviewed by another individual before submission. Closer attention will be given to the supplemental reports that are submitted for the financial report from other entities.

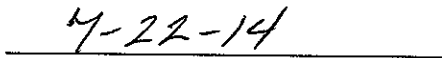
This corrective action will be put in place for the 2014 calendar year.



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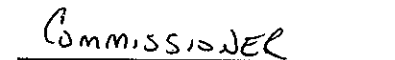
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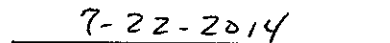
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(Date)

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van.ide@co.cass.in.us*

Corrective Action Plan

*Finding 2013-002
Vaneen M. Ide
574-753-7722*

A spread sheet record will be implemented to track the Federal Grant monies and State monies separately as the monies are received. CFDA numbers will be located with the name of the grant for additional identification.

This corrective action will be put in place for the 2014 calendar year.

Vaneen M. Ide

(Signature)

Auditor

(Title)

7-22-14

(Date)

James L. Sailan

(Signature)

COMMISSIONER

(Title)

7-22-14

(Date)

COUNTY AUDITOR
CASS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 22, 2013, with Vaneen M. Ide, Auditor.

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BOARD OF COUNTY COMMISSIONERS
CASS COUNTY

BOARD OF COUNTY COMMISSIONERS
CASS COUNTY
FEDERAL FINDING

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

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BOARD OF COUNTY COMMISSIONERS
CASS COUNTY
FEDERAL FINDING
(Continued)

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Corrective Action Plan

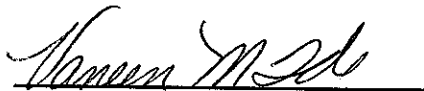
2013-001

Vaneen M. Ide

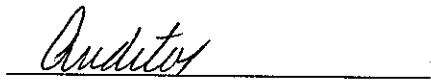
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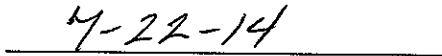
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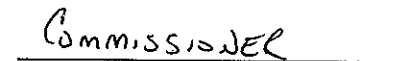
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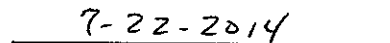
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(Date)

BOARD OF COUNTY COMMISSIONERS
CASS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 22, 2014, with James L. Sailors, President of the Board of County Commissioners.

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COUNTY TREASURER
CASS COUNTY

COUNTY TREASURER
CASS COUNTY
AUDIT RESULTS AND COMMENTS

SURTAX AND WHEEL TAX

The Treasurer did not properly account for surtax and wheel tax collected from the Bureau of Motor Vehicles. Surtax and Wheel tax were recorded in the Treasurer's Cash Book and included with the vehicle excise tax instead of being quietused into the Auditor's Fund Ledger.

The Bureau of Motor Vehicles (BMV) deposits daily to the County's BMV bank account the excise tax and if applicable the surtax and wheel tax collected 14 days earlier. At least monthly, the Treasurer must enter the BMV collections into the Treasurer's Cash Book. Total collections should be entered in the bank deposits section of the Cash Book. Excise tax collections should be entered in the Other Sources section of the Cash Book and, if applicable, the surtax and wheel tax is to be quietused to the Auditor's Wheel Tax/Surtax fund and is entered into the Treasurer's Cash Book in the Fund Ledger section.

The Indiana Department of Revenue (DOR) distributes to counties the aircraft excise, quarterly in January, April, July and October. Auto rental excise tax is distributed by DOR semi-annually in May and November and wheel tax comes from them monthly. The county treasurer should receipt aircraft and auto rental excise tax collections to excise accounts in the Other Sources section of the cashbook. Wheel tax is quietused to the county auditor's Wheel Tax/Surtax Fund and is entered in the Funds Ledger section of the cashbook just as stated above for wheel tax remittances from the BMV. (The County Bulletin and Uniform Compliance Guidelines, January 2012, Vol. No. 381, Page 8)

BANK ACCOUNT RECONCILIATIONS

Reconciliations of the fund balances to the bank account balances were performed; however, the reconciliations were incorrect due to accounting errors. The errors included:

1. Recording Errors.
2. Checks and receipts not recorded in the proper amounts.
3. Interest not recorded.
4. Nonsufficient funds checks incorrectly recorded.
5. Dockets not recorded.
6. Receipts not recorded.

Additionally, the depository reconciliation prepared as of December 31, 2013, did not reconcile to the fund balances shown on the Auditor's Fund Ledger. The reconciled bank balance was \$1,128.06 less than the fund balances shown on the County's ledgers. A similar comment was in prior Report B42424.

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."

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 Guidelines Manual for County Treasurers of Indiana, Chapter 10)

COUNTY TREASURER
CASS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 22, 2014, with Kathleen Adair, Treasurer; Daphne L. Slusser, Deputy Treasurer; James L. Sailors, President of the Board of County Commissioners; and George L. Stebbins, President of the County Council.