

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CLINTON COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
09/12/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Cathy J. Hamilton	01-01-13 to 12-31-16
Treasurer	Ronald J. Niemesh	01-01-13 to 12-31-16
Clerk	Sherri Crews	01-01-13 to 12-31-16
Sheriff	Jeff Ward	01-01-11 to 12-31-14
Recorder	Linda Brammel	01-01-10 to 12-31-17
President of the Board of County Commissioners	Skip Evans Bert Weaver	01-01-13 to 12-31-13 01-01-14 to 12-31-14
President of the County Council	Alan Dunn	01-01-13 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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TO: THE OFFICIALS OF CLINTON COUNTY, INDIANA

This report is supplemental to our audit report of Clinton 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

July 30, 2014

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COUNTY AUDITOR
CLINTON COUNTY

COUNTY AUDITOR
CLINTON COUNTY
FEDERAL FINDINGS

**FINDING 2013-001 - 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 the following errors: Two grants were not included on the SEFA; Program names were not always accurate; Total Federal Awards Expended included some State matching amounts and other immaterial amounts which could not be verified; and the Child Support Program, CFDA# 93.563, was under reported by \$201,487. In total, the SEFA was under reported by \$185,803. 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 .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:

- (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."

COUNTY AUDITOR
CLINTON COUNTY
FEDERAL FINDINGS
(Continued)

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

Internal Controls

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 Statement:** Effective internal control over financial reporting involves 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 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 County Auditor independently prepares the financial statement without oversight or approval.
2. **Controls Over Cash and Investment Balances:** Effective internal control over cash and investments requires the Treasurer to reduce the risks that cash and investments will not be properly safeguarded. There were no established procedures to ensure that monthly reconciliations of the fund balances to the depository account balances were prepared. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

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) (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 10)

Compliance

During the audit of the County's financial statement, we noted that the Treasurer's Supplemental fund was not reported. The failure to properly report this fund 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 \$1,029,330, \$5,301,984, \$1,029,330, and \$5,301,984, respectively. Audit adjustments were proposed, accepted by the County, and made to the County's financial statement presented in this report. These adjustments resulted in a presentation of the County's financial statement that is materially correct.

COUNTY AUDITOR
CLINTON COUNTY
FEDERAL FINDINGS
(Continued)

Depository reconciliations of the Treasurer's Daily Balance of Cash and Depositories to bank account balances for the months July 2013 through December 2013 had not been completed. In addition, reconciliations for January 2014 through June 2014 have not yet been prepared. Based on information provided by the financial software, bank statements, and other calculations, it was determined that the Treasurer's Daily Balance of Cash and Depositories exceeds the depository balances by \$28,967.92 at December 31, 2013.

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."

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 Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 10)

Section III - Federal Award Findings and Questioned Costs

FINDING 2013-003 - CASH MANAGEMENT AND REPORTING

Federal Agency: Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.653
Award Number: 1304IN4005
Pass-Through Entity: Indiana Department of Child Services

The County has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and Cash Management and Reporting compliance requirements that have a direct and material effect on the program. 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 grant.

The Title IV-D Administrator in the Prosecutor's Office independently prepares the Monthly Expense Claim for Title IV-D to request reimbursement of program expenditures and the Quarterly Incentive Expenditure Report. An oversight, review, or approval process has not been established.

COUNTY AUDITOR
CLINTON COUNTY
FEDERAL FINDINGS
(Continued)

The Auditor independently prepares the Quarterly Incentive Balance Form for Title IV-D for the entire County. An oversight, review, or approval process has not been established.

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 with the grant agreement or the compliance requirements that have a direct and material effect on 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 the compliance requirements noted above that have a direct and material effect on the program.



Clinton County Auditor

Cathy J. Hamilton
225 Courthouse Square
Frankfort, Indiana 46041-1995
765-659-6330
765-659-6391 fax
auditor@clintonco.com

CORRECTIVE ACTION PLAN

FINDING 2013-001

Contact Person Responsible for Corrective Action: Cathy J. Hamilton
Contact Phone Number: 765-659-6330

Description of Corrective Action Plan:

The County will take the steps necessary to implement adequate internal controls over the preparation of the Schedule of Expenditures of Federal Awards (SEFA). This will ensure the accurate reporting of federal awards for future audits.

Anticipated Completion Date:

July 30, 2014

FINDING 2013-002

Contact Person Responsible for Corrective Action: Cathy J. Hamilton
Contact Phone Number: 765-659-6330

Description of Corrective Action Plan:

The Auditor will take the steps necessary to implement adequate internal controls over the preparation of the financial statement. This will ensure the accurate reporting.

Anticipated Completion Date:

July 30, 2014

FINDING 2013-003

Contact Person Responsible for Corrective Action: Cathy J. Hamilton
Contact Phone Number: 765-659-6330


Description of Corrective Action Plan:

The Auditor will take the steps necessary to implement adequate internal controls over the preparation of the Quarterly Incentive Balance Form for Title IV-D.

The Prosecutor will review and sign the Monthly Expense Claim for Title IV-D prepared by his deputy for reimbursement of program expenditures and the Quarterly Incentive Expenditure Report.

Anticipated Completion Date:

July 30, 2014



(Signature)

Clinton County Auditor

(Title)

July 30, 2014

COUNTY AUDITOR
CLINTON COUNTY
AUDIT RESULTS AND COMMENTS

APPROPRIATIONS

The records presented for audit indicated some fund expenditures were in excess of budgeted appropriations. Additional appropriations have been approved by the County Council but were not presented to the Department of Local Government Finance for approval. The funds in excess of budgeted appropriations not submitted to the Department of Local Government Finance for approval include the following:

<u>Fund</u>	<u>Amount</u>
Cumulative Capital Development	\$ 43,404
Cumulative Courthouse	123,624
Motor Vehicle Highway	613,719

In addition, records presented for audit indicated that the following locally appropriated fund expended in excess of appropriations:

<u>Fund</u>	<u>Amount</u>
Public Health Emergency Preparedness	<u>\$ 8,213</u>

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

Indiana Code 6-1.1-18-5 states in part: ". . . the political subdivision must report the additional appropriation to the department of local government finance."

COUNTY AUDITOR
CLINTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

LOIT PUBLIC SAFETY FUND

The County has not established a fund to properly account for the LOIT Public Safety distribution passed through to other units. The standard chart of accounts published by the Indiana State Board of Accounts requires the County to establish a separate fund for the receipt and disbursement of LOIT Public Safety distributions to other local units within the County. However, the entire State distribution was receipted into Fund #1170 LOIT Public Safety County Share which was established to account for the County's public safety expenditures. The distributions to local units were made from this County fund.

As of July 1, 2014, the Auditor established a separate LOIT Public Safety fund as required by the Standard Chart of Accounts for Indiana Counties as published by the Indiana State Board of Accounts.

A chart of accounts is a listing of account titles, with numerical symbols, employed in the compilation of financial data. It also serves to facilitate processing of claims, warrants and other documents and as a convenience in posting ledgers.

A numerical coding system has been established for use in accounting for funds, revenues, appropriations and expenditures, which is adaptable to all counties having a manual or mechanized accounting system, as distinguished from electronic data processing. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 5)

All counties must implement the use of the new chart of accounts by January 1, 2012. (The County Bulletin and Uniform Compliance Guidelines, January 2011, Vol. No. 376, page 3, as amended by January 2012, Vol. No. 381, pages 10-11)

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)

COUNTY AUDITOR
CLINTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 30, 2014, with Cathy J. Hamilton, Auditor; Bert Weaver, President of the Board of County Commissioners; and Alan Dunn, President of the County Council.

COUNTY TREASURER
CLINTON COUNTY

COUNTY TREASURER
CLINTON COUNTY
FEDERAL FINDINGS

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

Internal Controls

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COUNTY TREASURER
CLINTON COUNTY
FEDERAL FINDINGS
(Continued)

Compliance

During the audit of the County's financial statement, we noted that the Treasurer's Supplemental fund was not reported. The failure to properly report this fund 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 \$1,029,330, \$5,301,984, \$1,029,330, and \$5,301,984, respectively. Audit adjustments were proposed, accepted by the County, and made to the County's financial statement presented in this report. These adjustments resulted in a presentation of the County's financial statement that is materially correct.

Depository reconciliations of the Treasurer's Daily Balance of Cash and Depositories to bank account balances for the months July 2013 through December 2013 had not been completed. In addition, reconciliations for January 2014 through June 2014 have not yet been prepared. Based on information provided by the financial software, bank statements, and other calculations, it was determined that the Treasurer's Daily Balance of Cash and Depositories exceeds the depository balances by \$28,967.92 at December 31, 2013.

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."

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 Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 10)

Office of Clinton County Treasurer
Ron Niemesh, Treasurer

220 Courthouse Square Frankfort, Indiana 46041

Telephone: 765-659-6325 ~ Fax: 765-659-6391

rniemesh@clintonco.com

www.clintonco.com

CORRECTIVE ACTION PLAN

FINDING 2013-002

Contact Person Responsible for Corrective Action: Ron Niemesh, Treasurer

Contact Phone Number: 765-659-6325

Description of Corrective Action Plan:

Due to problems found in the review of and the audit of the 2012 year, we started and have completed the reviewing of the 2012 and 2013 complete financial activities through December 2013. The balancing and the month end reconciliations thru December 2013 show only the \$45,080.58 from the years previous to September 2010 when I took office. There are not any other cash short or unexplained issues.

We are continuing the balancing and month end reconciliations thru the months of 2014 and we will be current in 2014 baring any more medical issues, etc. We fully expect to not have any cash short or unexplained issues during 2014. We do control our daily receipts and deposits into the various checking accounts and funds that we maintain.

The Treasurer's supplemental fund was reported to the Auditor via my Investment Report that detailed all the funds that were under my control at the end of 2013. It was reported via a non standard report and Ms. Williams has shown me the format that I should be using and will use as required.

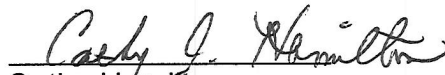
I do understand the duties and responsibilities of the office, but it took me some time (15 months) to find the right person to handle the financial activities of the office. And unfortunately during this time, the monthly reconciliation requirements were beyond my ability to comprehend and complete. The current Chief Deputy started on July 1, 2013 and has been working diligently to learn our processes and reviewing the financial activities making major headway on the completion of this last function to be corrected in the Treasurer's office.

Anticipated Completion Date:

12/31/2014



Ronald Niemesh
Clinton County Treasurer



Cathy Hamilton
Clinton County Auditor

COUNTY TREASURER
CLINTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 30, 2014, with Ronald J. Niemesh, Treasurer, and Bert Weaver, President of the Board of County Commissioners.

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COUNTY PROSECUTOR
CLINTON COUNTY

COUNTY PROSECUTOR
CLINTON COUNTY
FEDERAL FINDING

FINDING 2013-003 - CASH MANAGEMENT AND REPORTING

Federal Agency: Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.653
Award Number: 1304IN4005
Pass-Through Entity: Indiana Department of Child Services

The County has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and Cash Management and Reporting compliance requirements that have a direct and material effect on the program. 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 grant.

The Title IV-D Administrator in the Prosecutor's Office independently prepares the Monthly Expense Claim for Title IV-D to request reimbursement of program expenditures and the Quarterly Incentive Expenditure Report. An oversight, review, or approval process has not been established.

The Auditor independently prepares the Quarterly Incentive Balance Form for Title IV-D for the entire County. An oversight, review, or approval process has not been established.

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 with the grant agreement or the compliance requirements that have a direct and material effect on 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 the compliance requirements noted above that have a direct and material effect on the program.



Clinton County Auditor

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Frankfort, Indiana 46041-1995
765-659-6330
765-659-6391 fax
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CORRECTIVE ACTION PLAN

FINDING 2013-001

Contact Person Responsible for Corrective Action: Cathy J. Hamilton
Contact Phone Number: 765-659-6330

Description of Corrective Action Plan:

The County will take the steps necessary to implement adequate internal controls over the preparation of the Schedule of Expenditures of Federal Awards (SEFA). This will ensure the accurate reporting of federal awards for future audits.

Anticipated Completion Date:

July 30, 2014

FINDING 2013-002

Contact Person Responsible for Corrective Action: Cathy J. Hamilton
Contact Phone Number: 765-659-6330

Description of Corrective Action Plan:

The Auditor will take the steps necessary to implement adequate internal controls over the preparation of the financial statement. This will ensure the accurate reporting.

Anticipated Completion Date:

July 30, 2014

FINDING 2013-003

Contact Person Responsible for Corrective Action: Cathy J. Hamilton
Contact Phone Number: 765-659-6330


Description of Corrective Action Plan:

The Auditor will take the steps necessary to implement adequate internal controls over the preparation of the Quarterly Incentive Balance Form for Title IV-D.

The Prosecutor will review and sign the Monthly Expense Claim for Title IV-D prepared by his deputy for reimbursement of program expenditures and the Quarterly Incentive Expenditure Report.

Anticipated Completion Date:

July 30, 2014



(Signature)

Clinton County Auditor
(Title)

July 30, 2014

COUNTY PROSECUTOR
CLINTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 30, 2014, with Anthony J. Sommer, Prosecutor, and Bert Weaver, President of the Board of County Commissioners.