

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MARSHALL COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
10/10/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Penny Lukenbill	01-01-11 to 12-31-14
Treasurer	Deborah VanDeMark	01-01-13 to 12-31-16
Clerk	Julie Fox	01-01-11 to 12-31-14
Sheriff	Tom Chamberlin	01-01-11 to 12-31-14
Recorder	Marlene Mahler	01-01-11 to 12-31-14
President of the Board of County Commissioners	Kevin Overmyer	01-01-13 to 12-31-14
President of the County Council	Matthew Hassel	01-01-13 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF MARSHALL COUNTY, INDIANA

This report is supplemental to our audit report of Marshall 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 Finding, identified in the above referenced audit report, is 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.

The Corrective Action Plan for the Federal Finding, incorporated within this report, was not verified for accuracy.

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

August 5, 2014

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COUNTY AUDITOR
MARSHALL COUNTY

COUNTY AUDITOR
MARSHALL COUNTY
FEDERAL FINDING

**FINDING 2013-001 - INTERNAL CONTROLS AND COMPLIANCE OVER
PREPARATION OF 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 Auditor independently prepares the SEFA for inclusion in the financial report without oversight, review, or approval. 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 that the County's schedule included the state portion for several grants. Additionally, amounts paid to subrecipients were not disclosed. 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."

COUNTY AUDITOR
MARSHALL COUNTY
FEDERAL FINDING
(Continued)

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.
- (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."



**Marshall County Auditor
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CORRECTIVE ACTION PLAN

FINDING 2013-001

Contact Person Responsible for Corrective Action: Penny Lukenbill
Contact Phone Number: 574-935-8509

Description of Corrective Action Plan: To more accurately reflect the state and federal portions of those grants which include funds from both entities, the Marshall County Auditor will maintain copies of the vouchers received by the sub-recipient, indicating the separate amounts contributed by each entity. These will then be used to verify amounts in preparing the SEFA for the county annual report.

Anticipated Completion Date: The procedure has been in place since March, 2014.


(Signature)

Marshall County Auditor
(Title)

July 28, 2014
(Date)

COUNTY AUDITOR
MARSHALL COUNTY
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The financial statement presented for the County included the following funds with overdrawn cash balances at December 31, 2013:

<u>Fund</u>	<u>Amount Overdrawn</u>
Tax Sale Redemption	\$ 168
Sewage Collections	120
DLGF Homestead Property Database	34
Settlement 9100 TIF	13,046

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
MARSHALL COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 5, 2014, with Penny Lukenbill, Auditor.

COUNTY HIGHWAY DEPARTMENT
MARSHALL COUNTY

COUNTY HIGHWAY DEPARTMENT
MARSHALL COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER SALE OF SCRAP

Internal controls over the receipting and accounting for the proceeds from the sale of scrap were insufficient. Payments from the salvage yard to the various Highway Department truck drivers were made in cash. The Highway Department did not have formal procedures for receipting these proceeds. The truck drivers would remit the salvage receipts to the Superintendent of the Highway Department; however, no acknowledgement or receipt was issued to the drivers.

On March 25, 2014, the County Auditor reported a discrepancy to the Indiana State Board of Accounts between amounts paid by a salvage yard as compared to what was remitted to the County Auditor and receipted into the official records of the County. The discrepancy totaled \$12,351.41. As a result, the County changed procedures related to the sale of scrap. Currently, scrap is accumulated in two designated areas. When the accumulation is sufficient, the shop foremen decide that it is time to transport the scrap and they authorize a driver to deliver it to the scrap yard. Arrangements have been made with the salvage yard that all payments are to be made by check only. The check is mailed directly to the County Auditor who issues a quietus to the bookkeeper at the Highway Department. These new internal controls seem sufficient and we have no further recommendations at this time.

Indiana Code 5-11-1-27 states:

"(a) As used in this section, 'local government' means county, city, town, or township.

(b) In the compliance guidelines authorized under section 24 of this chapter, the state board of accounts shall define the acceptable minimum level of:

- (1) internal control standards; and
- (2) internal control procedures; for internal control systems of local governments. The internal control standards and procedures shall be developed to promote government accountability and transparency.

COUNTY HIGHWAY DEPARTMENT
MARSHALL COUNTY
AUDIT RESULT AND COMMENT
(Continued)

(c) All erroneous or irregular variances, losses, shortages, or thefts of local government funds or property shall be reported immediately to the state board of accounts. The state board of accounts shall:

- (1) determine the amount of funds involved and report the amount to the appropriate government and law enforcement officials;
- (2) determine the internal control weakness that contributed to or caused the condition; and
- (3) make written recommendations to the appropriate legislative body or appropriate official overseeing the internal control system addressing:
 - (A) the method of correcting the condition; and
 - (B) the necessary internal control policies and internal control procedures that must be modified to prevent a recurrence of the condition.

(d) The legislative body or the appropriate official overseeing the internal control system shall immediately implement the policies and procedures recommended by the state board of accounts under subsection (c)(3)(B)."

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)

COUNTY HIGHWAY DEPARTMENT
MARSHALL COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 29, 2014, with Penny Lukenbill, Auditor.