

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BARTHOLOMEW COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED

09/30/2014

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
County Auditor:	
Federal Findings:	
Finding 2013-001 - Internal Controls Over Preparation of the Schedule of Expenditures of Federal Awards	6-7
Finding 2013-002 - Cash Management and Reporting.....	7-8
Finding 2013-003 - Allowable Costs/Cost Principles	8-9
Corrective Action Plan	10-11
Audit Results and Comments:	
County Prescribed Chart of Accounts.....	12
Appropriations	12
Exit Conference	13

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Barbara J. Hackman	01-01-11 to 12-31-14
Treasurer	Pia M. O'Connor	01-01-11 to 12-31-14
Clerk	Tami Hines	01-01-11 to 12-31-14
Sheriff	Mark E. Gorbett	01-01-11 to 12-31-14
Recorder	Anita L. Hole	01-01-11 to 12-31-14
President of the Board of County Commissioners	Carl H. Lienhoop	01-01-13 to 12-31-14
President of the County Council	Jorge R. Morales	01-01-13 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF BARTHOLOMEW COUNTY, INDIANA

This report is supplemental to our audit report of Bartholomew 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

August 14, 2014

(This page intentionally left blank.)

COUNTY AUDITOR
BARTHOLOMEW COUNTY

COUNTY AUDITOR
BARTHOLOMEW COUNTY
FEDERAL FINDINGS

**FINDING 2013-001 - INTERNAL CONTROLS OVER PREPARATION OF
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: (a) the schedule did not include expenditures from the Highway Planning and Construction Cluster in the amount of \$101,140; (b) the Child Nutrition Cluster was understated by \$6,308; (c) the Special Supplemental Nutrition Program for Women, Infants, and Children was overstated by \$52,113; (d) the JAG Program Cluster was overstated by \$2,801; (e) the Child Support Enforcement was overstated by \$77,802; (f) the State Court Improvement Program was overstated by \$8,437; (g) the State Homeland Security Program (SHSP) was overstated by \$37,793; and (h) a State grant of \$105,343 was included. 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:

"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
BARTHOLOMEW 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 - CASH MANAGEMENT AND REPORTING

Federal Agency: Department of Agriculture

Federal Program: Special Supplemental Nutrition Program for Women, Infants and Children

CFDA Number: 10.557

Federal Award Number and Year (or Other Identifying Number): Contract WIC 102-2 and
Contract WPCG 102-1

Pass-Through Entity: Indiana State Department of Health

Management of the County has not established an effective internal control system, including segregation of duties, over the compliance requirements relating to cash management and reporting. The failure to establish an effective internal control system places the County at risk of noncompliance with the grant agreement and the compliance requirements.

The County was required to report expenditures on a monthly basis. These reimbursement requests were prepared by one employee in the health department with no documentation that review of those reports was performed by anyone else.

As part of the grant agreement between the County and the Indiana State Department of Health, the County is required to submit monthly reports to the Indiana State Department of Health. However, the County failed to file ten out of twenty-two monthly reports on a timely basis. The County has not established any controls or procedures for filing the required reports in a timely manner.

The 2012/2013 Health Department Agreement Amendment No. 1 between the Indiana State Department of Health and Bartholomew County, Paragraph 20A - Additional Payment Terms, states: "Invoices shall be due by the 20th day after the end of each month."

COUNTY AUDITOR
BARTHOLOMEW 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 with the grant agreement or the cash management and reporting compliance requirements could result in the loss of federal funds to the County.

We recommended that the County establish controls, including segregation of duties, to ensure that cash management and reporting requirements that have a direct and material effect to the program are complied with.

FINDING 2013-003 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Agriculture

Federal Program: Special Supplemental Nutrition Program for Women, Infants, and Children

CFDA Number: 10.557

Federal Award Number and Year (or Other Identifying Number): Contract WIC 102-2 and
Contract WPCG 102-1

Pass-Through Entity: Indiana State Department of Health

Management of the County has not established an effective internal control system over compliance requirements relating to allowable costs/cost principles. The failure to establish an effective internal control system places the County at risk of noncompliance with the grant agreement and the compliance requirements.

The County was required to maintain time and effort reports on all full and part time employees paid from the grant. There were no time and effort reports completed for the audit period. The County WIC Office was not aware of any report required by the State agency that would have fulfilled the compliance requirement.

OMB Circular A-87, Attachment B, item 8h, states in part:

- "(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.
- (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency."

COUNTY AUDITOR
BARTHOLOMEW 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."

Noncompliance with the grant agreement or the allowable costs/cost principles 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 establish controls to ensure allowable costs/cost principle requirements are complied with.



TO: State Board of Accounts
FROM: Barbara J Hackman, Bartholomew County Auditor
REF: 2013 Audit Findings and Corrective Action Plans

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

Contact Person: Barbara J Hackman
Contact Number: 812-379-1510
Anticipated Completion Date: N/A

CORRECTIVE ACTION PLAN

- a) We are now aware that this is Federal Grant and will put proper controls into place to ensure proper financial reporting.
- b,c) The Supplemental Nutrition Program for Women, Infants and Children for which this finding addresses was taken over by a Private Corporation on April 1, 2014. The County Health Department no longer has the contract for this Federal WIC Grant.
- d,e,g,h) This finding addresses reimbursable Grants that we will put proper controls into place to ensure accurate financial reporting.
- f) We will appropriate the necessary monies within this fund to ensure accurate financial reporting in the future.

FINDING 2013-002 – CASH MANAGEMENT AND REPORTING

Contact Person: Barbara J Hackman
Contact Number: 812-379-1510
Anticipated Completion Date: N/A

CORRECTIVE ACTION PLAN

The Supplemental Nutrition Program for Women, Infants and Children for which this finding addresses was taken over by a Private Corporation on April 1, 2014.
The County Health Department no longer has the contract for this Federal WIC Grant.

FINDING 2013-003 - ALLOWABLE COSTS/COST PRINCIPLES

Contact Person: Barbara J Hackman
Contact Number: 812-379-1510
Anticipated Completion Date: N/A

CORRECTIVE ACTION PLAN

The Supplemental Nutrition Program for Women, Infants and Children for which this finding addresses was taken over by a Private Corporation on April 1, 2014.
The County Health Department no longer has the contract for this Federal WIC Grant.

Signed Barbara J. Hackman

Titled Auditor

Date August 6, 2014

COUNTY AUDITOR
BARTHOLOMEW COUNTY
AUDIT RESULTS AND COMMENTS

COUNTY PRESCRIBED CHART OF ACCOUNTS

The County did not implement the new chart of accounts prescribed by the Indiana State Board of Accounts as required by January 1, 2013.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

All counties must implement the use of the new chart of accounts by January 1, 2012. (The County Bulletin And Uniform Compliance Guidelines, Vol. No. 376, page 3)

The deadline has been extended to January 1, 2013. (The County Bulletin And Uniform Compliance Guidelines, Vol. No. 381, page 11, Q&A #5)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General	2013	<u>\$ 682,509</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."

COUNTY AUDITOR
BARTHOLOMEW COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 14, 2014, with Barbara J. Hackman, Auditor.