

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

GRANT COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED
10/30/2014

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	3
Transmittal Letter	4
County Commissioners:	
Federal Findings:	
Finding 2012-001 - Internal Controls Over the Schedule of Expenditures of Federal Awards	6-7
Finding 2012-002 - Internal Controls Over Financial Transactions and Reporting.....	7-8
Finding 2012-003 - Internal Controls Over Compliance Requirements That Have a Direct and Material Effect to Highway Planning and Construction.....	8-9
Finding 2012-004 - Internal Controls Over Compliance Requirements That Have a Direct and Material Effect to Child Support Enforcement.....	9-10
Corrective Action Plan	11-14
Audit Result and Comment:	
Record Information.....	15
Exit Conference	16
County Auditor:	
Federal Findings:	
Finding 2012-001 - Internal Controls Over the Schedule of Expenditures of Federal Awards	18-19
Finding 2012-002 - Internal Controls Over Financial Transactions and Reporting.....	19-20
Finding 2012-003 - Internal Controls Over Compliance Requirements That Have a Direct and Material Effect to Highway Planning and Construction.....	20-21
Finding 2012-004 - Internal Controls Over Compliance Requirements That Have a Direct and Material Effect to Child Support Enforcement.....	21-22
Corrective Action Plan	23-26
Audit Results and Comments:	
Annual Report	27
Appropriations	27
Record Information.....	28
Fund Ledger Not in Agreement.....	28
Exit Conference	29

TABLE OF CONTENTS
(Continued)

County Treasurer:	
Federal Finding:	
Finding 2012-002 - Internal Controls Over Financial Transactions and Reporting.....	32-33
Corrective Action Plan:	34
Audit Results and Comments:	
Bank Account Reconciliations.....	35
Treasurer's Daily Balance of Cash and Depositories (Form 47)	35-36
Record Information.....	36
Fund Ledger Not in Agreement.....	36-37
Excise Tax Reconciliation at Settlement Report.....	37
Monthly Financial Report (Form 47TR).....	37-38
Internal Controls.....	38
Public Record Retention	38
Certificate of Tax Collections - Auditor - Section I (Form 49TC).....	39
Exit Conference	40
County Sheriff:	
Audit Results and Comments:	
Official Bond.....	42
JEAN (Joint Effort Against Narcotics) Team and Crime Control Funds	42-43
Condition of Records - Sheriff Commissary.....	43
Supplemental County Annual Reports - Sheriff Cash Book and Commissary	43
Bank Account Reconciliations - Sheriff Cash Book	44
Exit Conference	45
County Clerk:	
Audit Result and Comment:	
Supplemental County Annual Reports.....	48
Exit Conference	49
County Coroner:	
Audit Result and Comment:	
Official Bond.....	52
Exit Conference	53

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Roger A. Bainbridge	01-01-11 to 12-31-14
Treasurer	Sarah A. Melford	01-01-11 to 12-31-16
Clerk	J. Mark Florence	01-01-11 to 12-31-14
Sheriff	Darrell L. Himelick	01-01-11 to 12-31-14
Recorder	Dixi Fischer Conner Pamela K. Harris	01-01-10 to 12-31-12 01-01-13 to 12-31-16
Coroner	Stephen D. Dorsey	01-01-11 to 12-31-14
President of the County Council	James E. McWhirt	01-01-11 to 12-31-14
President of the Board of County Commissioners	Mark E. Bardsley Michael H. Burton	01-01-12 to 12-31-13 01-01-14 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of Grant County (County), for the period from January 1, 2012 to December 31, 2012. 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

September 10, 2014

COUNTY COMMISSIONERS
GRANT COUNTY

COUNTY COMMISSIONERS
GRANT COUNTY
FEDERAL FINDINGS

***FINDING 2012-001 - INTERNAL CONTROLS OVER THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The County did not have a proper system of internal controls 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 controls in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted that the SEFA was missing programs and contained incorrect expenditure amounts. 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.
- (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 COMMISSIONERS
GRANT COUNTY
FEDERAL FINDINGS
(Continued)

- (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 2012-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the County Treasurer's and County Auditor's offices related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. **Preparing Financial Statements:** Effective internal control over financial reporting involves the 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 risk 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 and correct, material misstatements, including notes to the financial statement.
2. **Monitoring of Financial Information:** Effective internal controls over financial reporting requires the Board of County Commissioners, their designee, to monitor and assess the monthly financial information. The Board of County Commissioners, their designee, have not reviewed or requested monthly financial information (i.e., such as fund and financial appropriation reports, and depository bank reconcilements). The failure to adequately review financial information places the County at risk that material misstatements will not be prevented, or detected and corrected, in a timely manner.
3. **Reconcilements:** Proper controls were not established between the County Treasurer's and County Auditor's offices to accurately prepare reconcilements for any of the months during the audit period. The balance per the bank accounts did not agree with the bank balances reported in the Treasurer's Cash Book. Neither the balance per the bank accounts nor the balance per the Treasurer's Cash Book reconciled to the fund balances on the Annual Financial Statement (Auditor's Fund Ledger). A number of adjustments were made by the Auditor to the Auditor's Fund Ledger that were not communicated and reflected on the Treasurer's Cash Book. As of December 31, 2012, the difference between the adjusted bank balance and Auditor's Fund Ledger indicated cash long of \$5,912.50, which was determined to be immaterial.

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.

COUNTY COMMISSIONERS
GRANT COUNTY
FEDERAL FINDINGS
(Continued)

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

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balances 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 Counties of Indiana, Chapter 1; 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)

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."

FINDING 2012-003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO HIGHWAY PLANNING AND CONSTRUCTION

Federal Agency: Department of Transportation

Federal Program: Highway Planning and Construction

CFDA Number: 20.205

Federal Award Number and Year (or Other Identifying Number): DES 0900989, DES 0800726,
DES 0600284

Pass-Through Entity: Indiana Department of Transportation

The Harris Financial System, the County Auditor's computer system, failed on January 18, 2013, and resulted in a loss of financial data from November 10, 2011 to January 18, 2013. No computer backups were available or were sufficient to recreate the financial reports in a timely manner. Due to the loss of the County Auditor's financial data, no evidence was provided that reimbursement requests were reviewed by someone other than the person preparing the request for Cash Management and Reporting compliance requirements of 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 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, 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.

COUNTY COMMISSIONERS
GRANT 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 the compliance requirements noted above that have a direct and material effect to the program.

FINDING 2012-004 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO CHILD SUPPORT ENFORCEMENT

Federal Agency: Department of Health and Human Services

Federal Program: Child Support Enforcement

CFDA Number: 93.563

Federal Award Number and Year (or Other Identifying Number): FY 2012, 11CR002

Pass-Through Entity: Indiana Department of Child Services and Indiana Supreme Court

The Harris Financial System, the County Auditor's computer system, failed on January 18, 2013, and resulted in a loss of financial data from November 10, 2011 to January 18, 2013. No computer backups were available or were sufficient to recreate the financial reports in a timely manner. Due to the loss of the County Auditor's financial data, no evidence was provided that reimbursement requests were reviewed by someone other than the person preparing the request for Cash Management and Reporting compliance requirements of 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 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, 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."

COUNTY COMMISSIONERS
GRANT COUNTY
FEDERAL FINDINGS
(Continued)

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 the compliance requirements noted above that have a direct and material effect to the program.

Roger A. Bainbridge
Grant County Auditor
Grant County Complex
401 S. Adams St., Room 222
Marion, IN 46953-2099

Phone: 765-668-6552

E-mail: grantcountyauditor@gmail.com

FAX: 765-668-6582

Tammy Miller
Chief Deputy

Chris Hancock
Assistant Chief Deputy

CORRECTIVE ACTION PLAN
January 1, 2012 through December 31, 2012

Finding 2012-001

Internal Controls over the Schedule of Expenditures of Federal Awards

Contact Person Responsible for Corrective Action: Tammy Miller, Grant County Chief Deputy Auditor

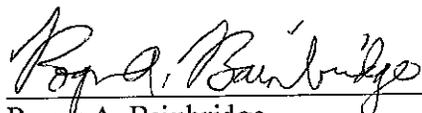
Contact Phone Number: 765-668-6552

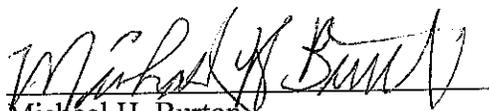
Description of Corrective Action Plan:

This Schedule is created annually in Gateway, so each year the Chief Deputy Auditor, Tammy Miller, will prepare the schedule and then, within five days, will review it with the Claims/Grants Deputy, Jessica Floyd. Each entry on the Schedule will then be confirmed that it contains the correct items and expenditure amounts. There will be a report generated with the results of this review, and that report will be available to the Indiana State Board of Accounts for the next annual audit.

Anticipated Completion Date: March 1, 2015


Sarah A. Melford
County Treasurer


Roger A. Bainbridge
County Auditor


Michael H. Burton
President, County Commissioners


James E. McWhirt
President, County Council

Dated: September 10, 2014

Roger A. Bainbridge
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CORRECTIVE ACTION PLAN
January 1, 2012 through December 31, 2012

Finding 2012-002

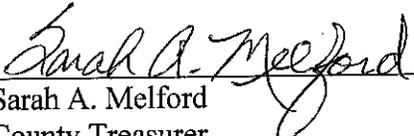
Internal Controls over Financial Transactions and Reporting

Contact Person Responsible for Corrective Action: Sarah Melford, Grant County Treasurer
Contact Phone Number: 765-668-6556

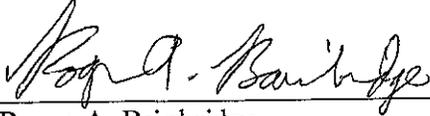
Description of Corrective Action Plan:

The County has again retained the services of an outside consultant to assist applicable officials in the bank reconciliation process. The County Treasurer is currently in the process of bringing the bank reconciliations up to date after the loss of all financial data from November 10, 2011 to January 18, 2013, due to a computer system crash. Following completion of that task, future bank reconciliations will be completed within a reasonable time with acknowledgement by the County Auditor and the County Treasurer. Evidence of such reconciliations will be distributed each month for review to the County Council, in time for their monthly meeting on the third Wednesday of each month, and to the County Commissioners no later than the Tuesday before the County Council meeting.

Anticipated Completion Date: March 1, 2015



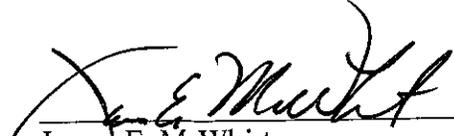
Sarah A. Melford
County Treasurer



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County Auditor



Michael H. Burton
President, County Commissioners



James E. McWhirt
President, County Council

Dated: September 10, 2014

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Chris Hancock
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CORRECTIVE ACTION PLAN
January 1, 2012 through December 31, 2012

Finding 2012-003

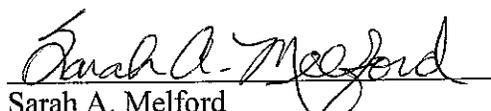
Internal Controls over Compliance Requirements that have a Direct and Material Effect to Highway Planning and Construction

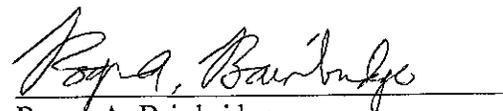
Contact Person Responsible for Corrective Action: Nicole Yeager, Grant County IT Director
Contact Phone Number: 765-573-0001

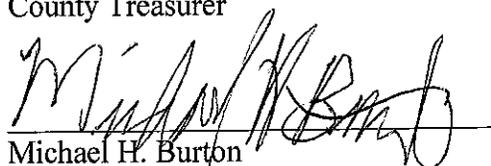
Description of Corrective Action Plan:

The Grant County Information Technology Department has made changes in their procedures to address the issue of loss of financial data, without sufficient backup, on the server which stores the data for the Harris Open Windows Financial System. Those changes include daily monitoring of the status of the hard drives on the server, as it was inattention to the visual alert, when the first RAID drive failed, which permitted the failure of the second RAID drive on January 18, 2013. That dual failure, followed by an improper attempt to rebuild the failed drives, is what caused the loss of data. The procedure, in the event of the failure of a RAID drive, will be to determine that, if only one drive has failed to that point, the drive will be hot-swapped and allowed to rebuild as usual. If, however, it is determined that more than one drive has failed, the server is to be immediately powered down and the drives are to be sent to a facility which can remove the platters from the drives and read the data from them. There have also been improvements to the procedures of both on-site and off-site storage of the data on the affected server, so that lost data will be available to be restored.

Anticipated Completion Date: Done


Sarah A. Melford
County Treasurer


Roger A. Bainbridge
County Auditor


Michael H. Burton
President, County Commissioners


James E. McWhirt
President, County Council

Dated: September 10, 2014

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Tammy Miller
Chief Deputy

Chris Hancock
Assistant Chief Deputy

CORRECTIVE ACTION PLAN
January 1, 2012 through December 31, 2012

Finding 2012-004

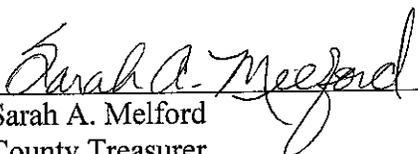
Internal Controls over Compliance Requirements that have a Direct and Material Effect to Child Support Enforcement

Contact Person Responsible for Corrective Action: Nicole Yeager, Grant County IT Director
Contact Phone Number: 765-573-0001

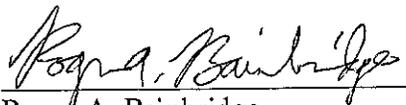
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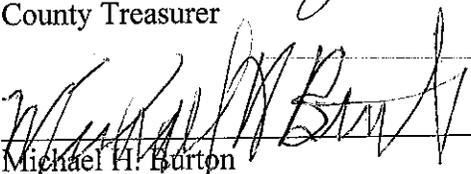
Anticipated Completion Date: Done



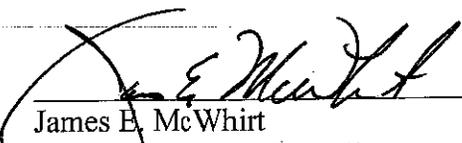
Sarah A. Melford
County Treasurer



Roger A. Bainbridge
County Auditor



Michael H. Burton
President, County Commissioners



James E. McWhirt
President, County Council

Dated: September 10, 2014

COUNTY COMMISSIONERS
GRANT COUNTY
AUDIT RESULT AND COMMENT

RECORD INFORMATION

The Harris Financial System, the County Auditor's computer system, failed on January 18, 2013, and resulted in a loss of financial data from November 10, 2011 to January 18, 2013. No computer backups were available or were sufficient to recreate the financial reports in a timely manner. Due to the loss of Grant County Auditor's financial data, no reliance could be placed on controls.

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 COMMISSIONERS
GRANT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 10, 2014, with Michael H. Burton, President of the Board of County Commissioners, and James E. McWhirt, President of the County Council.

COUNTY AUDITOR
GRANT COUNTY

COUNTY AUDITOR
GRANT COUNTY
FEDERAL FINDINGS

**FINDING 2012-001 - INTERNAL CONTROLS OVER THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The County did not have a proper system of internal controls 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 controls in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted that the SEFA was missing programs and contained incorrect expenditure amounts. 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.
- (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
GRANT COUNTY
FEDERAL FINDINGS
(Continued)

- (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 2012-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the County Treasurer's and County Auditor's offices related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. **Preparing Financial Statements:** Effective internal control over financial reporting involves the 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 risk 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 and correct, material misstatements, including notes to the financial statement.
2. **Monitoring of Financial Information:** Effective internal controls over financial reporting requires the Board of County Commissioners, their designee, to monitor and assess the monthly financial information. The Board of County Commissioners, their designee, have not reviewed or requested monthly financial information (i.e., such as fund and financial appropriation reports, and depository bank reconcilements). The failure to adequately review financial information places the County at risk that material misstatements will not be prevented, or detected and corrected, in a timely manner.
3. **Reconcilements:** Proper controls were not established between the County Treasurer's and County Auditor's offices to accurately prepare reconcilements for any of the months during the audit period. The balance per the bank accounts did not agree with the bank balances reported in the Treasurer's Cash Book. Neither the balance per the bank accounts nor the balance per the Treasurer's Cash Book reconciled to the fund balances on the Annual Financial Statement (Auditor's Fund Ledger). A number of adjustments were made by the Auditor to the Auditor's Fund Ledger that were not communicated and reflected on the Treasurer's Cash Book. As of December 31, 2012, the difference between the adjusted bank balance and Auditor's Fund Ledger indicated cash long of \$5,912.50, which was determined to be immaterial.

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.

COUNTY AUDITOR
GRANT COUNTY
FEDERAL FINDINGS
(Continued)

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

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balances 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 Counties of Indiana, Chapter 1; 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)

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."

FINDING 2012-003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO HIGHWAY PLANNING AND CONSTRUCTION

Federal Agency: Department of Transportation

Federal Program: Highway Planning and Construction

CFDA Number: 20.205

Federal Award Number and Year (or Other Identifying Number): DES 0900989, DES 0800726,
DES 0600284

Pass-Through Entity: Indiana Department of Transportation

The Harris Financial System, the County Auditor's computer system, failed on January 18, 2013, and resulted in a loss of financial data from November 10, 2011 to January 18, 2013. No computer backups were available or were sufficient to recreate the financial reports in a timely manner. Due to the loss of the County Auditor's financial data, no evidence was provided that reimbursement requests were reviewed by someone other than the person preparing the request for Cash Management and Reporting compliance requirements of 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 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, 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.

COUNTY AUDITOR
GRANT 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 the compliance requirements noted above that have a direct and material effect to the program.

FINDING 2012-004 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO CHILD SUPPORT ENFORCEMENT

Federal Agency: Department of Health and Human Services

Federal Program: Child Support Enforcement

CFDA Number: 93.563

Federal Award Number and Year (or Other Identifying Number): FY 2012, 11CR002

Pass-Through Entity: Indiana Department of Child Services and Indiana Supreme Court

The Harris Financial System, the County Auditor's computer system, failed on January 18, 2013, and resulted in a loss of financial data from November 10, 2011 to January 18, 2013. No computer backups were available or were sufficient to recreate the financial reports in a timely manner. Due to the loss of the County Auditor's financial data, no evidence was provided that reimbursement requests were reviewed by someone other than the person preparing the request for Cash Management and Reporting compliance requirements of 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 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, 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.

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"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."

COUNTY AUDITOR
GRANT COUNTY
FEDERAL FINDINGS
(Continued)

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 the compliance requirements noted above that have a direct and material effect to the program.

Roger A. Bainbridge
Grant County Auditor
Grant County Complex
401 S. Adams St., Room 222
Marion, IN 46953-2099

Phone: 765-668-6552

E-mail: grantcountyauditor@gmail.com

FAX: 765-668-6582

Tammy Miller
Chief Deputy

Chris Hancock
Assistant Chief Deputy

CORRECTIVE ACTION PLAN
January 1, 2012 through December 31, 2012

Finding 2012-001

Internal Controls over the Schedule of Expenditures of Federal Awards

Contact Person Responsible for Corrective Action: Tammy Miller, Grant County Chief Deputy Auditor

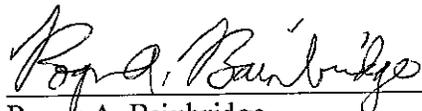
Contact Phone Number: 765-668-6552

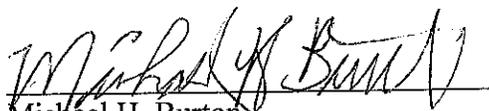
Description of Corrective Action Plan:

This Schedule is created annually in Gateway, so each year the Chief Deputy Auditor, Tammy Miller, will prepare the schedule and then, within five days, will review it with the Claims/Grants Deputy, Jessica Floyd. Each entry on the Schedule will then be confirmed that it contains the correct items and expenditure amounts. There will be a report generated with the results of this review, and that report will be available to the Indiana State Board of Accounts for the next annual audit.

Anticipated Completion Date: March 1, 2015


Sarah A. Melford
County Treasurer


Roger A. Bainbridge
County Auditor


Michael H. Burton
President, County Commissioners


James E. McWhirt
President, County Council

Dated: September 10, 2014

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FAX: 765-668-6582

Tammy Miller
Chief Deputy

Chris Hancock
Assistant Chief Deputy

CORRECTIVE ACTION PLAN
January 1, 2012 through December 31, 2012

Finding 2012-002

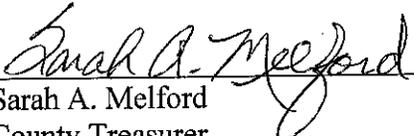
Internal Controls over Financial Transactions and Reporting

Contact Person Responsible for Corrective Action: Sarah Melford, Grant County Treasurer
Contact Phone Number: 765-668-6556

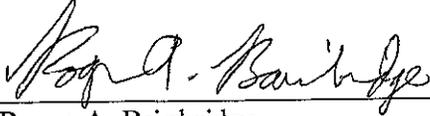
Description of Corrective Action Plan:

The County has again retained the services of an outside consultant to assist applicable officials in the bank reconciliation process. The County Treasurer is currently in the process of bringing the bank reconciliations up to date after the loss of all financial data from November 10, 2011 to January 18, 2013, due to a computer system crash. Following completion of that task, future bank reconciliations will be completed within a reasonable time with acknowledgement by the County Auditor and the County Treasurer. Evidence of such reconciliations will be distributed each month for review to the County Council, in time for their monthly meeting on the third Wednesday of each month, and to the County Commissioners no later than the Tuesday before the County Council meeting.

Anticipated Completion Date: March 1, 2015



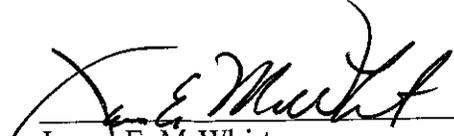
Sarah A. Melford
County Treasurer



Roger A. Bainbridge
County Auditor



Michael H. Burton
President, County Commissioners



James E. McWhirt
President, County Council

Dated: September 10, 2014

Roger A. Bainbridge
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Tammy Miller
Chief Deputy

Chris Hancock
Assistant Chief Deputy

CORRECTIVE ACTION PLAN
January 1, 2012 through December 31, 2012

Finding 2012-003

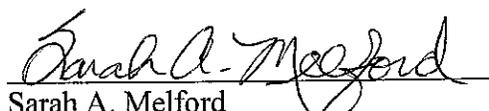
Internal Controls over Compliance Requirements that have a Direct and Material Effect to Highway Planning and Construction

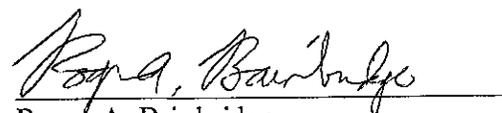
Contact Person Responsible for Corrective Action: Nicole Yeager, Grant County IT Director
Contact Phone Number: 765-573-0001

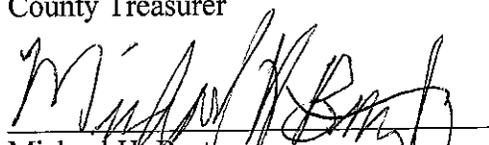
Description of Corrective Action Plan:

The Grant County Information Technology Department has made changes in their procedures to address the issue of loss of financial data, without sufficient backup, on the server which stores the data for the Harris Open Windows Financial System. Those changes include daily monitoring of the status of the hard drives on the server, as it was inattention to the visual alert, when the first RAID drive failed, which permitted the failure of the second RAID drive on January 18, 2013. That dual failure, followed by an improper attempt to rebuild the failed drives, is what caused the loss of data. The procedure, in the event of the failure of a RAID drive, will be to determine that, if only one drive has failed to that point, the drive will be hot-swapped and allowed to rebuild as usual. If, however, it is determined that more than one drive has failed, the server is to be immediately powered down and the drives are to be sent to a facility which can remove the platters from the drives and read the data from them. There have also been improvements to the procedures of both on-site and off-site storage of the data on the affected server, so that lost data will be available to be restored.

Anticipated Completion Date: Done


Sarah A. Melford
County Treasurer


Roger A. Bainbridge
County Auditor


Michael H. Burton
President, County Commissioners


James E. McWhirt
President, County Council

Dated: September 10, 2014

Roger A. Bainbridge
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FAX: 765-668-6582

Tammy Miller
Chief Deputy

Chris Hancock
Assistant Chief Deputy

CORRECTIVE ACTION PLAN
January 1, 2012 through December 31, 2012

Finding 2012-004

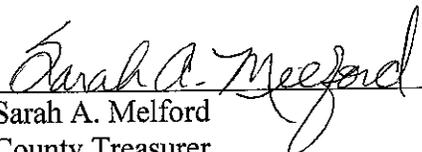
Internal Controls over Compliance Requirements that have a Direct and Material Effect to Child Support Enforcement

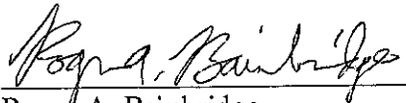
Contact Person Responsible for Corrective Action: Nicole Yeager, Grant County IT Director
Contact Phone Number: 765-573-0001

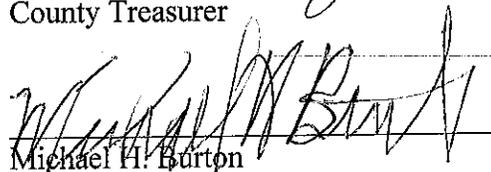
Description of Corrective Action Plan:

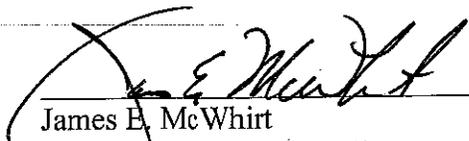
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Anticipated Completion Date: Done


Sarah A. Melford
County Treasurer


Roger A. Bainbridge
County Auditor


Michael H. Burton
President, County Commissioners


James E. McWhirt
President, County Council

Dated: September 10, 2014

COUNTY AUDITOR
GRANT COUNTY
AUDIT RESULTS AND COMMENTS

ANNUAL REPORT

The County filed their Annual Report with the Indiana State Board of Accounts for 2012 on January 15, 2014, which is not within 60 days after the close of the fiscal year as required by law. It contained numerous errors and did not properly reflect the financial activity of Grant County.

A similar comment appeared in prior Report B40751.

Indiana Code 5-11-1-4(a) concerning annual reports 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."

APPROPRIATIONS

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

Fund	Excess Amount Expended
General	\$ 193,730
Defer Prosecution	42,196
Local Health Department Trust Account	15,768
Statewide 911	351,867
Debt Service	573
County CEDIT	900,000

A similar comment appeared in prior Report B40751.

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
GRANT COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

RECORD INFORMATION

The Harris Financial System, the County Auditor's computer system, failed on January 18, 2013, and resulted in a loss of financial data from November 10, 2011 to January 18, 2013. No computer backups were available or were sufficient to recreate the financial reports in a timely manner. Due to the loss of Grant County Auditor's financial data, no reliance could be placed on controls.

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)

FUND LEDGER NOT IN AGREEMENT

The total funds per the County Auditor's funds ledger did not agree with the balance per County Treasurer's Daily Balance of Cash and Depositories (Form 47) at December 31, 2012. The Treasurer's Cash Book exceeded the County Auditor's Ledger by \$1,470.43, which has not been identified.

At the close of each calendar month a Monthly Financial Statement, County Form No. 61, shall be prepared, showing the financial transactions for the month and year to date, for each fund and in total.

The county treasurer is also required to independently prepare a Monthly Financial Statement on the same form and the two statements must be reconciled. If any differences exist between the records of the auditor and the treasurer, they must be identified and immediate steps taken to bring the records of the two offices into agreement. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 6)

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 Auditors of Indiana, Chapter 14)

COUNTY AUDITOR
GRANT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 10, 2014, with Roger A. Bainbridge, Auditor; Tammy Miller, Chief Deputy Auditor; Michael H. Burton, President of the Board of County Commissioners; and James E. McWhirt, President of the County Council.

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COUNTY TREASURER
GRANT COUNTY

COUNTY TREASURER
GRANT COUNTY
FEDERAL FINDING

FINDING 2012-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the County Treasurer's and County Auditor's offices related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. **Preparing Financial Statements:** Effective internal control over financial reporting involves the 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 risk 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 and correct, material misstatements, including notes to the financial statement.
2. **Monitoring of Financial Information:** Effective internal controls over financial reporting requires the Board of County Commissioners, their designee, to monitor and assess the monthly financial information. The Board of County Commissioners, their designee, have not reviewed or requested monthly financial information (i.e., such as fund and financial appropriation reports, and depository bank reconcilements). The failure to adequately review financial information places the County at risk that material misstatements will not be prevented, or detected and corrected, in a timely manner.
3. **Reconcilements:** Proper controls were not established between the County Treasurer's and County Auditor's offices to accurately prepare reconcilements for any of the months during the audit period. The balance per the bank accounts did not agree with the bank balances reported in the Treasurer's Cash Book. Neither the balance per the bank accounts nor the balance per the Treasurer's Cash Book reconciled to the fund balances on the Annual Financial Statement (Auditor's Fund Ledger). A number of adjustments were made by the Auditor to the Auditor's Fund Ledger that were not communicated and reflected on the Treasurer's Cash Book. As of December 31, 2012, the difference between the adjusted bank balance and Auditor's Fund Ledger indicated cash long of \$5,912.50, which was determined to be immaterial.

COUNTY TREASURER
GRANT COUNTY
FEDERAL FINDING
(Continued)

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

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balances 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 Counties of Indiana, Chapter 1; 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)

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."

Roger A. Bainbridge
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FAX: 765-668-6582

Tammy Miller
Chief Deputy

Chris Hancock
Assistant Chief Deputy

CORRECTIVE ACTION PLAN
January 1, 2012 through December 31, 2012

Finding 2012-002

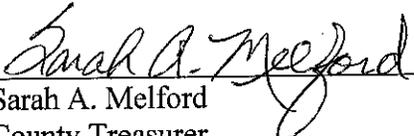
Internal Controls over Financial Transactions and Reporting

Contact Person Responsible for Corrective Action: Sarah Melford, Grant County Treasurer
Contact Phone Number: 765-668-6556

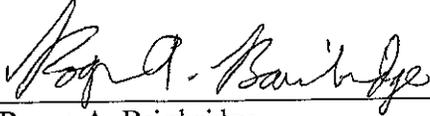
Description of Corrective Action Plan:

The County has again retained the services of an outside consultant to assist applicable officials in the bank reconciliation process. The County Treasurer is currently in the process of bringing the bank reconciliations up to date after the loss of all financial data from November 10, 2011 to January 18, 2013, due to a computer system crash. Following completion of that task, future bank reconciliations will be completed within a reasonable time with acknowledgement by the County Auditor and the County Treasurer. Evidence of such reconciliations will be distributed each month for review to the County Council, in time for their monthly meeting on the third Wednesday of each month, and to the County Commissioners no later than the Tuesday before the County Council meeting.

Anticipated Completion Date: March 1, 2015



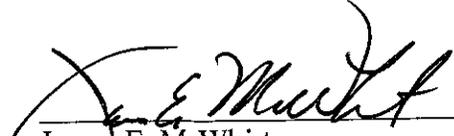
Sarah A. Melford
County Treasurer



Roger A. Bainbridge
County Auditor



Michael H. Burton
President, County Commissioners



James E. McWhirt
President, County Council

Dated: September 10, 2014

COUNTY TREASURER
GRANT COUNTY
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

The County Treasurer has the statutory obligation to reconcile the bank accounts for the funds maintained by the County. Bank reconciliations were performed during 2012. However, the December 31, 2012 bank reconciliation was not completed until August 2014.

A similar comment appeared in prior Report B40777.

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)

TREASURER'S DAILY BALANCE OF CASH AND DEPOSITORIES (FORM 47)

The Treasurer's Daily Balance of Cash and Depositories (Form 47) is the record prescribed to enable the Treasurer to comply with Indiana Code 5-13-5-1. It reflects the daily receipts and disbursements, total amount of cash and investments on hand, and a proof of the financial condition of the office at the close of each day. The record is designed to be posted daily, with a separate page for each day. The left side of the page shows the total amount of money for which the Treasurer is accountable (charges) and the right side of the page shows the money on deposit, invested or on hand (credits), as proof of the financial condition.

At December 31, 2012, the Treasurer's Daily Balance of Cash and Depositories contained the following variances in regard to Form 47:

1. Vehicle Excise received after the date of fall settlement in the amount of \$90,772 was not shown on the Treasurer's Daily Balance of Cash and Depositories at December 31, 2012. This amount was not included in the total excise tax settled and therefore, should be shown on the Treasurer's Cash Book.
2. No Excise Tax Cuts were received after the date of fall settlement. However, the amount of (\$79,078.30) was shown on the Treasurer's Daily Balance of Cash and Depositories at December 31, 2012. This amount should be identified and corrected.
3. Advance collections of taxes, Line 41, did not agree with the detail of tax collections at December 31, 2012. The amount posted to the Treasurer's Daily Balance of Cash and Depositories was \$425,632. The amount shown on the "Year Through Date Cash Summary Report" was \$441,017. The variance of \$15,385 should be identified and corrected.
4. The Treasurer's Daily Balance of Cash and Depositories contained many unidentified variances under the "Other Sources" section totaling (\$1,032.00).

COUNTY TREASURER
GRANT COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

5. The Treasurer's Daily Balance of Cash and Depositories (Form 47) was posted timely but with inaccurate amounts. The electronic versions of the Treasurer's Daily Balance of Cash and Depositories (Excel spreadsheet) contained formula errors. The Treasurer's Daily Balance of Cash and Depositories (Form 47) contained errors that were left unresolved by the unit until the audit occurred.
6. Receipts written by the Treasurer do not agree with amounts posted to the Treasurer's Daily Balance of Cash and Depositories for Vehicle Excise Tax. Receipts are based on the monthly Bureau of Motor Vehicles (BMV) batch report. Cash Book postings are based on the monthly total deposited into the BMV bank account. The activity period of monthly BMV batch report is typically 14 days earlier than the BMV bank deposits.

A similar comment appeared in prior Report B40777.

Indiana Code 5-13-5-1(a) states: "Every public officer who receives or distributes public funds shall: (1) keep a cash book into which the public officer shall enter daily, by item, all receipts of public funds and (2) balance the cashbook daily to show funds on hand at the close of each day."

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)

RECORD INFORMATION

The Harris Financial System, the County Auditor's computer system, failed on January 18, 2013, and resulted in a loss of financial data from November 10, 2011 to January 18, 2013. No computer backups were available or were sufficient to recreate the financial reports in a timely manner. Due to the loss of Grant County Auditor's financial data, no reliance could be placed on controls.

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)

FUND LEDGER NOT IN AGREEMENT

The total funds per the County Auditor's funds ledger did not agree with the balance per County Treasurer's Daily Balance of Cash and Depositories (Form 47) at December 31, 2012. The Treasurer's Cash Book exceeded the Auditor's Ledger by \$1,470.43, which has not been identified.

The Monthly Financial Statement (Form 61) is a permanent record prepared from the treasurer's funds ledger at the close of each month. It is prepared after all postings to the ledger have been completed for the month and reflects the total receipts and disbursements and the balance for each fund for the month and for the year to date. The statement must agree with a similar statement kept by the county auditor, giving consideration to any adjustments required to reconcile the ledgers of the two offices. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 4)

COUNTY TREASURER
GRANT COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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)

EXCISE TAX RECONCILIATION AT SETTLEMENT REPORT

The Treasurer is required to file a "County Treasurer and County Auditor Excise Tax Reconciliation at Settlement" report with the Auditor of State's Settlement Division prior to each tax settlement. The amounts shown on the June 2012 and December 2012 reports were incorrect. As a result, the Treasurer reported variances of (\$4,194) and (\$79,078) on the June and December reports, respectively. The variances are attributed to incorrect Excise Tax receipt postings. These incorrect postings lead to incorrect amounts of Excise Tax collected shown on the Treasurer's Certificate of Tax Collections (Form 49TC). Excise tax distributions were made based on accurate records maintained in the Auditor's office.

A similar comment appeared in prior Report B40777.

Indiana Code 6-1.1-27-2 states in part:

"At each semi-annual meeting required under section 1 of this chapter, the county treasurer shall make a settlement with the county auditor for the amount of taxes and special assessments which the county treasurer has collected. At each semi-annual meeting, the county treasurer shall also certify to the county auditor, under oath and on the form prescribed by the state board of accounts, the correctness of:

- (1) the credits for cash collected for each taxing unit appearing on the tax duplicate; and
- (2) any other amounts collected by the county treasurer as required by law."

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 10)

MONTHLY FINANCIAL REPORT (FORM 47TR)

The Treasurer's Monthly Financial Report (Form 47TR) is to be prepared by the 16th day of the following month. During 2012, these reports were not completed for November and December. Posting errors on the Treasurer's Daily Balance of Cash and Depositories (Form 47) and the lack of a bank reconciliation for December 2012 contributed to the difficulty in preparing these reports for the missing months. In addition, the Auditor's computer system failed on January 18, 2013, and resulted in a loss of financial data from November 10, 2011 to January 18, 2013. Computer backups were not available or were insufficient to recreate the financial reports in a timely manner.

On or before the 16th day of each month the treasurer shall prepare a report showing the financial condition of the office as of the close of business on the last day of the preceding month.

COUNTY TREASURER
GRANT COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

This report shall show the amounts with which the treasurer is chargeable for the various funds and accounts, the amounts with which the treasurer is credited for money on deposit, invested and cash on hand, and any long or short at the close of each month. The report also provides space for reconciliation with depositories.

The report shall be prepared in quadruplicate and each copy shall be verified by certificate of the treasurer. The treasurer shall retain one copy as a public record in the office and three copies shall be filed with the county auditor. The county auditor shall file the original of said reports with the records of the county board of finance, one copy shall be presented to the board of county commissioners at its next regular meeting, and the county auditor shall immediately transmit one copy to the State Board of Accounts. [IC 36-2-9-11 and 36-2-10-16] (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 4)

INTERNAL CONTROLS

We noted deficiencies in the internal control system of the Treasurer's Office related to financial transactions and reporting. These deficiencies included bank account reconciliations not prepared, Treasurer's Daily Balance of Cash and Depositories not properly maintained, and numerous transactions not recorded or not recorded timely.

A similar comment appeared in prior Report B40777.

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 County Treasurers of Indiana, Chapter 10)

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)

PUBLIC RECORDS RETENTION

The County Treasurer's Certificate of Collections of Drainage Assessments (Form 49DC) was not presented for audit.

Indiana Code 5-15-6-3(f), concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

COUNTY TREASURER
GRANT COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

CERTIFICATE OF TAX COLLECTIONS - AUDITOR - SECTION I (FORM 49TC)

The Certificate of Tax Collections - Auditor - Section I (Form 49TC) was not signed by the Treasurer.

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 Treasurers of Indiana, Chapter 10)

COUNTY TREASURER
GRANT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 10, 2014, with Sarah A. Melford, Treasurer; Michael H. Burton, President of the Board of County Commissioners; and James E. McWhirt, President of the County Council.

COUNTY SHERIFF
GRANT COUNTY

COUNTY SHERIFF
GRANT COUNTY
AUDIT RESULTS AND COMMENTS

OFFICIAL BOND

The Sheriff's Surety Bond was insufficient per the Indiana Code. The Sheriff's bond coverage was \$45,000, but should have been \$90,000.

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond:

- (1) City judges, controllers, clerks, and clerk-treasurers.
- (2) Town judges and clerk-treasurers.
- (3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks.
- (4) Township trustees.
- (5) Those employees directed to file an individual bond by the fiscal body of a city, town, or county.
- (6) Township assessors (if any).

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).

(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee. County auditors shall file bonds in amounts of not less than thirty thousand dollars (\$30,000), as fixed by the fiscal body of the county. The amount of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000)."

JEAN (JOINT EFFORT AGAINST NARCOTICS) TEAM AND CRIME CONTROL FUNDS

The JEAN Team fund and the Crime Control fund are maintained by the Sheriff's Department. The JEAN Team fund is used to supplement the JEAN Team's federal grant budget. The Crime Control fund is used to supplement the Sheriff's General fund budget.

COUNTY SHERIFF
GRANT COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Codes 36-2-7-15 and 36-8-10-21 provide statutory authority for the establishment of the Sheriff's Cash Book and the Commissary fund, respectively. These are the only two funds specifically authorized to be held by the Sheriff outside the Office of the County Auditor. The Sheriff was informed that the Auditor, as the Fiscal Officer of the County (IC 36-1-2-7) should maintain the JEAN Team fund and the Crime Control fund.

A similar comment appeared in prior Report B40753.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

CONDITION OF RECORDS - SHERIFF COMMISSARY

Financial records presented for audit were incomplete and not reflective of the activity of the Sheriff Commissary fund. At December 31, 2012, a Certificate of Deposit in the amount of \$75,000 was not posted to the Sheriff Commissary fund.

Interest earned on the investment was automatically added to the principal and not recorded in the records of the Sheriff Commissary fund. As of December 31, 2012, the amount added to the principal but not posted to the ledger is \$2,454.

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)

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana Chapter 6)

SUPPLEMENTAL COUNTY ANNUAL REPORTS - SHERIFF CASH BOOK AND COMMISSARY

Supplemental County Annual Reports for the Sheriff's Cash Book and Commissary were filed using incorrect amounts.

Each office at the County is required to prepare a Supplemental County Annual Report at year end to submit to the Auditor so the transactions can be reported in the County's Annual Report. It is from the County's Annual Report that the financial statement is generated.

A similar comment appeared in prior Report B40753.

Indiana Code 5-11-1-4(a) concerning annual reports 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."

COUNTY SHERIFF
GRANT COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS - SHERIFF CASH BOOK

Depository reconciliations of the Sheriff Cash Book fund balances to the bank account balances were incorrect. Deposits in transit were incorrect and unresolved reconciling errors were still present on year-end reconciliation. Adjusting entries were posted to the Sheriff Cash Book.

A similar comment appeared in prior Report B40753.

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 that fund. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY SHERIFF
GRANT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 10, 2014, with Darrell L. Himelick, Sheriff; Michael H. Burton, President of the Board of County Commissioners; and James E. McWhirt, President of the County Council.

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COUNTY CLERK
GRANT COUNTY

COUNTY CLERK
GRANT COUNTY
AUDIT RESULT AND COMMENT

SUPPLEMENTAL COUNTY ANNUAL REPORTS

Supplemental County Annual Reports for the Clerk were filed using incorrect amounts.

Each office at the County is required to prepare a Supplemental County Annual Report at year end to submit to the Auditor so the transactions can be reported in the County's Annual Report. It is from the County's Annual Report that the financial statement is generated.

Indiana Code 5-11-1-4(a) concerning annual reports 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."

COUNTY CLERK
GRANT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 10, 2014, with J. Mark Florence, Clerk; Michael H. Burton, President of the Board of County Commissioners; and James E. McWhirt, President of the County Council.

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COUNTY CORONER
GRANT COUNTY

COUNTY CORONER
GRANT COUNTY
AUDIT RESULT AND COMMENT

OFFICIAL BOND

The Coroner's Surety Bond was insufficient per the Indiana Code. The Coroner's bond coverage was \$10,000, but should have been a minimum of \$15,000.

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond:

- (1) City judges, controllers, clerks, and clerk-treasurers.
- (2) Town judges and clerk-treasurers.
- (3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks.
- (4) Township trustees.
- (5) Those employees directed to file an individual bond by the fiscal body of a city, town, or county.
- (6) Township assessors (if any).

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).

(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee. County auditors shall file bonds in amounts of not less than thirty thousand dollars (\$30,000), as fixed by the fiscal body of the county. The amount of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000)."

COUNTY CORONER
GRANT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 10, 2014, with Michael H. Burton, President of the Board of County Commissioners, and James E. McWhirt, President of the County Council.

We attempted to contact Stephen D. Dorsey, Coroner, via email and other means to set up an exit conference to discuss the contents of this report. We received no response, therefore, no exit conference was held with Stephen D. Dorsey.