

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

UNION COUNTY, INDIANA

January 1, 2013 to December 31, 2013



**FILED**

11/07/2014



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Gene Sanford	01-01-11 to 12-31-14
Treasurer	Bonnie Adams	01-01-13 to 12-31-16
Clerk	Susan Ray	01-01-11 to 12-31-14
Sheriff	Eric Cantrell	01-01-11 to 12-31-14
Recorder	Linda Rosenberger	01-01-11 to 12-31-14
President of the County Council	Alan Alcorn	01-01-13 to 12-31-14
President of the Board of County Commissioners	Paul Wiwi	01-01-13 to 12-31-14



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF UNION COUNTY, INDIANA

This report is supplemental to our audit report of Union 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/](http://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 8, 2014

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COUNTY AUDITOR  
UNION COUNTY

COUNTY AUDITOR  
UNION COUNTY  
FEDERAL FINDINGS

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

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

1. **Lack of Segregation of Duties:** Control activities should be selected and developed at various levels of the County to reduce risks to the achievement of financial reporting objectives. The County has not separated incompatible activities related to receipts, disbursements, payroll, and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.
2. **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 risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent, or detect and correct, material misstatements, including notes to the financial statement.
3. **Monitoring of Controls:** Effective internal control over financial reporting requires the Board of County Commissioners or assigned designee to monitor and assess the quality of the County's system of internal control. The Board of Commissioners or assigned designee has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility place the County at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the County has no process to identify or communicate corrective actions to improve controls.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1) (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR  
UNION COUNTY  
FEDERAL FINDINGS  
(Continued)

***FINDING 2013-002 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT ON THE COMMUNITY DEVELOPMENT BLOCK GRANT/STATE'S PROGRAM***

Federal Agency: Housing and Urban Development  
Federal Program: Community Development Block Grants/State's Program  
and Non-Entitlement Grants in Hawaii  
CFDA Number: 14.228  
Federal Award Number and Year (or Other Identifying Number): HD-011-032 Yr: 2013  
Pass-Through Entity: Indiana Housing and Community Development Authority

Management of the County has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements; Procurement and Suspension and Debarment. 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, detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Non-compliance 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 all compliance requirements that have a direct and material effect to the program.



**GENE H. SANFORD**  
**UNION COUNTY AUDITOR**

26 West Union Street (765)458-5464 Deana Hill, 1st Deputy  
Liberty, In 47353 fax (765)458-1050 Beth Richardson, 2<sup>nd</sup> Deputy

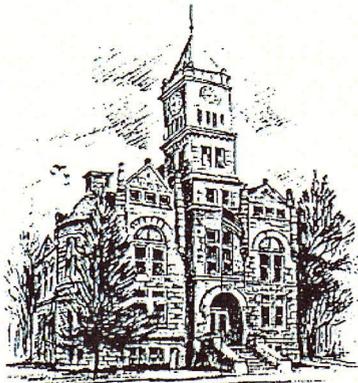
September 3, 2014

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

The Union County Auditor's Office will review office procedures and attempt to institute more review and oversight controls. Recently, the receipting activities have been assigned to another individual. However the office is a small office and the Auditor and Commissioners feel the cost associated with employing additional staff necessary to segregate the various duties would outweigh the benefit of a stronger control structure. We understand and accept the risks involved with the current office structure.

Union County Auditor

President, Union County  
Commissioners



*Union County Courthouse, Liberty, Ind.*

**GENE H. SANFORD**  
**UNION COUNTY AUDITOR**

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Liberty, In 47353 fax (765)458-1050 Beth Richardson, 2<sup>nd</sup> Deputy

September 3, 2014

**FINDING NUMBER 2013-002 – INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT EFFECT ON THE COMMUNITY DEVELOPMENT BLOCK GRANT/STATE’S PROGRAM**

Union County contracted with Star Development to be the vendor in executing the Community Development Block Grant for the County. As part of their agreement, they acted as the agent to meet all federal requirements of the grant. They performed the Debarment procedures in question and have the documentation to support this action in their files, however our office did not review these files. We will physically review these files in the future.

Union County Auditor

President, Union County  
Commissioners

COUNTY AUDITOR  
UNION COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 8, 2014, with Gene Sanford, Auditor; Paul Wiwi, President of the Board of County Commissioners; and Alan Alcorn, President of the County Council.

COUNTY SHERIFF  
UNION COUNTY

COUNTY SHERIFF  
UNION COUNTY  
AUDIT RESULT AND COMMENT

***BANK ACCOUNT RECONCILIATIONS***

Depository reconciliations of the fund balances to the bank account balances were not presented for audit at the time they were requested for the Sheriff's Cash Book account. Depository reconciliations of the fund balances to the bank account balances were presented for the Inmate Trust Account but were not done correctly. The Indiana State Board of Accounts performed depository reconciliations to determine that fund balances were not materially incorrect.

A review of the Sheriff's Inmate Trust Account revealed that for 2013 not all receipts could be easily traced to a deposit. We were not able to determine if all receipts had been deposited. In numerous instances every month, receipts were routinely 7-10 days from the date of receipt to the date of deposit.

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."

Indiana Code 5-13-6-1(c) states in part: ". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

COUNTY SHERIFF  
UNION COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 8, 2014, with Eric Cantrell, Sheriff; Paul Wiwi, President of the Board of County Commissioners; and Alan Alcorn, President of the County Council.

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COUNTY TREASURER  
UNION COUNTY

COUNTY TREASURER  
UNION COUNTY  
AUDIT RESULT AND COMMENT

**CONDITION OF RECORDS**

The County Treasurer is not posting to the Treasurer's Cash Book, BMV deposits from the BMV deposit reports. The Treasurer is waiting until the BMV deposit is made by the bank to make the deposit posting to her Cash Book.

Indiana Code 5-13-5-1 states in part:

"(a) Every public officer who receives or distributes public funds shall:

- (1) keep a cashbook 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)

COUNTY TREASURER  
UNION COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 8, 2014, with Bonnie Adams, Treasurer; Paul Wiwi, President of the Board of County Commissioners; and Alan Alcorn, President of the County Council.

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COUNTY COMMISSIONERS  
UNION COUNTY

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UNION COUNTY  
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FEDERAL FINDINGS  
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