

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SHELBY COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
11/13/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Amy L. Glackman	01-01-11 to 12-31-14
Treasurer	Tawnya J. Williams	01-01-11 to 12-31-14
Clerk	Vicki R. Franklin	01-01-11 to 12-31-14
Sheriff	Michael D. Bowlby	01-01-11 to 12-31-14
Recorder	Mary Jo Phares	01-01-11 to 12-31-14
President of the Board of County Commissioners	Kevin Nigh	01-01-13 to 12-31-14
President of the County Council	Scott M. Asher	01-01-13 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of Shelby County (County), for the period from January 1, 2013 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the County, which provides our opinions on the County's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plans for the Federal Findings, incorporated within this report, were not verified for accuracy.

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

August 18, 2014

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COUNTY AUDITOR
SHELBY COUNTY

COUNTY AUDITOR
SHELBY COUNTY
FEDERAL FINDINGS

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

Control activities should be selected and developed at various levels of the County to reduce risks of error and/or fraud of the financial statement. The County has not separated incompatible activities related to receipts and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

Preparation of the County's Annual Financial Report - 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. The County Auditor compiled all the information to prepare the Annual Financial Report which was used to prepare the financial statement presented in this report. There was no other review by another individual of the information or comparison to the prior year's Annual Financial Report's ending balances. This resulted in two funds that were on the County's fund ledger being mistakenly left off the Annual Financial Report. Audit adjustments were proposed and accepted by management of the County and reflected in the financial statement presented in this report.

One employee in the County Auditor's Office is responsible for writing receipts for EFTs as well as receiving daily collections from various County offices. The receipts are posted each day to the funds ledger in total by the County Auditor, but there was no audit documentation to show that individual receipt postings were reviewed by someone other than the person preparing the receipts.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under Indiana Code 5-14-3.8-7."

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)

***FINDING 2013-002 - INTERNAL CONTROLS OVER THE PREPARATION
OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The County did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The County should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

COUNTY AUDITOR
SHELBY COUNTY
FEDERAL FINDINGS
(Continued)

During the audit of the SEFA, we noted the following errors: (a) the schedule did not include expenditures from the ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories (CFDA 16.803) in the amount of \$208,334; (b) The Crime Victim Assistance program (CFDA 16.575) was overstated by \$68,742; (c) the Highway Planning and Construction program (CFDA 20.205) was understated by \$5,993; (d) the Special Programs for the Aging Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation program (CFDA 93.041) was understated by \$35,671; (e) the Drug-Free Communities Support Program Grants program (CFDA 93.276) was overstated by \$690; (f) the Child Support Enforcement program (CFDA 93.563) was overstated by \$111,874; (g) the State and Community Highway Safety program (CFDA 20.600) was understated by \$9,367; (h) and two programs were included on the SEFA which were not federal programs which resulted in an overstatement of \$8,899. Audit adjustments were proposed, accepted by the County, and made to the SEFA presented in this report.

Each County department is responsible for overseeing the grants it received. Department staff responsible for the administration and reporting of federal awards did not always provide accurate information for the preparation of the SEFA to the County Auditor's office.

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.

COUNTY AUDITOR
SHELBY COUNTY
FEDERAL FINDINGS
(Continued)

- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

FINDING 2013-004 - 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): Calendar Year 2013

Pass-Through Entity: Indiana Department of Child Services

Management of the County has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and compliance requirements that have a direct and material effect to the Child Support Enforcement program. This includes the following compliance requirements: Cash Management, Period of Availability, and Reporting. The failure to establish an effective internal control system places the County at risk of noncompliance with the grant agreement and the compliance requirements. 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.

Monthly Expense Claims for Title IV-D, Prosecutor Expenditures (Claim for Reimbursement)

The County Prosecutor's monthly expense claims were prepared by the County Deputy Prosecutor. There was no evidence that these reports were reviewed by another individual.

Indirect Cost Allocation Plan

The County relied upon a paid consultant to prepare their indirect cost allocation plan. This consultant requested financial and other pertinent information from the County to complete the cost allocation plan. This plan determined the amount of indirect costs that the County was eligible to receive. The actual amount of indirect costs reimbursed to the County for 2013 totaled \$39,150. The County Auditor signed off on the indirect cost report prepared by the consultant from the County's records. There was no evidence that County officials had reviewed the indirect cost allocation plan for accuracy.

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.

COUNTY AUDITOR
SHELBY COUNTY
FEDERAL FINDINGS
(Continued)

In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance 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.

FINDING 2013-006 - SPECIAL TESTS AND PROVISIONS

Federal Agency: Department of Justice

Federal Program: ARRA - Edward Byrne Memorial Justice Assistance Grant
(JAG) Program/Grants to States and Territories

CFDA Number: 16.803

Federal Award Number and Year (or Other Identifying Number): 2009-SU-B9-0047

Pass-Through Entity: Indiana Criminal Justice Institute

Management of the County has not established an effective internal control system over the Special Tests and Provisions of the reporting of American Recovery and Reinvestment Act of 2009 (ARRA) funding to ensure compliance with the American Recovery and Reinvestment Act of 2009. The failure to establish an effective internal control system places the County at risk of material noncompliance.

The County is required to report ARRA expenditures separately on the Schedule of Expenditures of Federal Awards (SEFA). The Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to State and Territories program was not correctly identified as ARRA on the County's prepared grant schedule. Adjustments were proposed, accepted by the County, and made to the SEFA presented in this report.

2 CFR 176.210(b) states:

"For recipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," recipients agree to separately identify the expenditures for Federal awards under the Recovery Act on the Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection Form (SF-SAC) required by OMB Circular A-133. . . . This shall be accomplished by identifying expenditures for Federal awards made

COUNTY AUDITOR
SHELBY COUNTY
FEDERAL FINDINGS
(Continued)

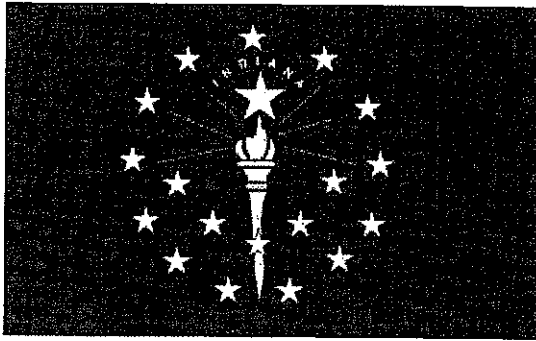
under the Recovery Act separately on the SEFA, and as separate rows under Item 9 of Part III on the SF-SAC by CFDA number, and inclusion of the prefix ARRA- in identifying the name of the Federal program on the SEFA and as the first characters in Item 9d of Part III on the SF-SAC."

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 County was not in compliance with ARRA funding compliance requirements. Failure to comply with these requirements could cause the County to be ineligible to receive future federal awards.

We recommended the County's management establish controls and procedures to ensure the reporting of ARRA funding for all grants.



AMY L. GLACKMAN
SHELBY COUNTY
AUDITOR

25 W Polk Street Room 104, Shelbyville, IN 46176
Phone: (317) 392-6310 Fax: (317) 392-6382

August 12, 2014

RE: CORRECTIVE ACTION PLAN

Section II – Financial Statement Finding

FINDING 2013-001 – INTERNAL CONTROLS OVER FINANCIAL
TRANSACTIONS AND REPORT – COUNTY AUDITOR

Auditee Contact Person: Amy Glackman

Title: County Auditor

Contact Information: aglackman@co.shelby.in.us or (317) 392-6310

Corrective Action Plan

The County is in the process of implementing better controls over the receipting, disbursing and recording of accounting for the financial records.

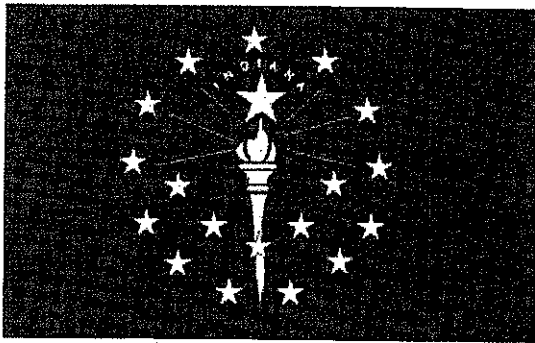
If you need any further information or assistance please feel free to contact me.

Respectfully,

A handwritten signature in cursive script, reading "Amy L. Glackman".

Amy L. Glackman
Shelby County Auditor

cc: Shelby County Commissioners
Shelby County Council
Department Heads



AMY L. GLACKMAN
SHELBY COUNTY
AUDITOR

25 W Polk Street Room 104, Shelbyville, IN 46176
Phone: (317) 392-6310 Fax: (317) 392-6382

August 12, 2014

RE: CORRECTIVE ACTION PLAN

Section II – Financial Statement Finding

FINDING 2013-2 – INTERNAL CONTROLS OVER PREPARATION OF THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.

Auditee Contact Person: Amy Glackman

Title: County Auditor

Contact Information: aglackman@co.shelby.in.us or (317) 392-6310

Corrective Action Plan

The County is in the process of implementing a Grant Policy and Procedure Guideline that will be required for all Departments to fill out for every Grant request. The Department will have to specify if this is a State or Federal Grant and supply our Office with the necessary information that is needed to comply with the regulations required.

In the future this should alleviate the omission of any Federal Grants in our reports.

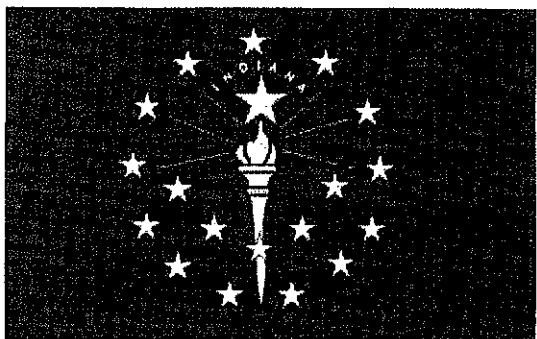
If you need any further information or assistance please feel free to contact me.

Respectfully,

A handwritten signature in cursive script that reads 'Amy L. Glackman'.

Amy L. Glackman
Shelby County Auditor

cc: Shelby County Commissioners
Shelby County Council
Department Heads



AMY L. GLACKMAN
SHELBY COUNTY
AUDITOR

25 W Polk Street Room 104, Shelbyville, IN 46176
Phone: (317) 392-6310 Fax: (317) 392-6382

August 12, 2014

RE: CORRECTIVE ACTION PLAN

Section III – Federal Award Findings and Questioned Cost

**FINDING 2013-004 - 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): Calendar Year 2013 IV-D

Expenditures

Pass-Through Entity: Indiana Department of Child Services

The County Auditor will continue to just sign off on the reports that are prepared by
Maximus. The Auditor's Office sends the reports monthly to Maximus for preparation.
At this time no changes will be made on how this procedure is handled.

FINDING 2013-006 – SPECIAL TESTS AND PROVISIONS

Federal Agency: Department of Justice

Federal Program: Recovery Act – Edward Byrne Memorial Assistance Grant (JAG)

Program/Grants to States and Territories

CFDA Number: 16.803

Federal Award Number and Year (or Other Identifying Number): 2009-SU-B9-0047

Pass-Through Entity: Indiana Criminal Justice Institute

Auditee Contact Person: Amy Glackman
Title: County Auditor
Contact Information: aglackman@co.shelby.in.us or (317) 392-6310

Corrective Action Plan

The County Auditor will establish internal controls with the Sheriff's Office, to be in compliance with the Federal laws. The Auditor's Office will work with the Sheriff's Department to make sure all proper paperwork is filled out reviewed and filed the Edward Byrne Memorial justice Assistance Grant.

If you need any further information or assistance please feel free to contact me.

Respectfully,



Amy L. Glackman
Shelby County Auditor

cc: Shelby County Commissioners
Shelby County Council
County Prosecutor
County Clerk

COUNTY AUDITOR
SHELBY COUNTY
AUDIT RESULTS AND COMMENTS

APPROPRIATIONS

The Rainy Day fund expenditures exceeded the budgeted appropriations by \$22,667 for the year 2013.

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."

OVERDRAWN CASH BALANCES

The financial statement presented in this report included the following funds with overdrawn cash balances at December 31, 2013:

Fund	Amount Overdrawn
Extradition Expenses	\$ 903
Settlement	101
Juvenile Intensive Sp	241
2008 Citizen Corps Programs	614
Community Corrections Juvenile	2,250
Sheriff Range Fund	124
Sheriff Training Fund	40
93.041 Adult Protective Services 2	128,730
Drug Free Coalition	133,083
TSF Drug Free Coalition	8,477
BCC Traffic Enforcement	9,888
Victim Asst. 2	105,527
Settlement Fund	4,252
97.073 State Homeland Security	1,723

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR CUTOFF

The County Auditor uses the end of February and the end of August as the cutoff date for the June and December excise tax settlement, respectively. Per Auditor of State instructions, the excise tax collected should be distributed reasonable and timely. The recommended cutoff date is the end of March for the June settlement and the end of September for the December settlement in order to be reasonable and timely.

At the time of each semiannual tax settlement the county treasurer shall report such tax collections, together with the auto rental excise tax and aircraft license excise tax collections discussed in this section, on County Form No. 49TC, County Treasurer's Certificate of Tax Collections, and the total shown by the auditor's records shall be verified with the treasurer's certificate before distribution is made. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 9)

COUNTY AUDITOR
SHELBY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 18, 2014, with Amy L. Glackman, Auditor.

COUNTY TREASURER
SHELBY COUNTY

COUNTY TREASURER
SHELBY COUNTY
FEDERAL FINDING

***FINDING 2013-003 - INTERNAL CONTROLS OVER FINANCIAL
TRANSACTIONS AND REPORTING - COUNTY TREASURER***

We noted a deficiency in the internal control system of the County Treasurer's Office related to financial transactions and reporting. We believe the following deficiency constitutes a material weakness:

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the County Treasurer's Office to reduce risks to the achievement of financial reporting objectives. Both the County Treasurer and the County Treasurer's First Deputy collect cash, post to the County Treasurer's Cash Book, and prepare the monthly bank reconcilements. There was no evidence that monthly bank reconcilements were reviewed and approved by someone other than the persons preparing them. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

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

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 10)

FINDING 2013-003 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING - COUNTY TREASURER

Contact Person: Tawnya Williams
Contact Number: 317-392-6375
Anticipated Completion Date 8/4/2014

CORRECTIVE ACTION PLAN

This office has three employees and the deposits are usually written up by the 2nd deputy daily who balances the money to the report and all the information given to them from the auditor and when it balances the deposit is written. Then either the Treasurer or 1st Deputy enters the data on the cashbook for that day, then either the OTHER one that DIDN'T enter the information into the cashbook does the imports into the Harris financial information which is also checked to the Auditor's fund balances daily so we know that we are in balance in everything every day. The Treasurer or First Deputy takes the deposit to the bank(s) which they were not the one that had written the deposit.

There are numerous times throughout the year when someone is off for vacation, sick or taking a personal day or bereavement and there would only be two people to do the day's work.

The Treasurer and First Deputy alternate days in entering data onto the cashbook and importing information into the financial system. There is not a set day, week or time for the switching from whom does what so that cross training is done and each person is familiar with the processes.

The bank statements are done by Treasurer and First Deputy and they are also switched around each month and then when the 47TR Treasurer's monthly report is prepared the Treasurer reviews the report thoroughly with the payment summary from tax collections and review all bank statement balances with each bank account and ensures that all funds are balanced with our Auditor's and Treasurer's financial statements before I would sign the report.

From today forward the person who writes the deposit ticket will initial it same for the cash book it will also be initialed, Harris Financial has the operator listed on the batch listing last page left corner. The monthly report and bank statements will show by whom prepared and reviewed.

Signed Tawnya J. Willin
Titled Shelby County Treasurer
Date 8-4-2014

COUNTY TREASURER
SHELBY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 18, 2014, with Tawnya J. Williams, Treasurer, and Kathy A. Plunkett, Deputy Treasurer.

COUNTY PROSECUTOR
SHELBY COUNTY

COUNTY PROSECUTOR
SHELBY COUNTY
FEDERAL FINDINGS

FINDING 2013-004 - 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): Calendar Year 2013

Pass-Through Entity: Indiana Department of Child Services

Management of the County has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and compliance requirements that have a direct and material effect to the Child Support Enforcement program. This includes the following compliance requirements: Cash Management, Period of Availability, and Reporting. The failure to establish an effective internal control system places the County at risk of noncompliance with the grant agreement and the compliance requirements. 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.

Monthly Expense Claims for Title IV-D, Prosecutor Expenditures (Claim for Reimbursement)

The County Prosecutor's monthly expense claims were prepared by the County Deputy Prosecutor. There was no evidence that these reports were reviewed by another individual.

Indirect Cost Allocation Plan

The County relied upon a paid consultant to prepare their indirect cost allocation plan. This consultant requested financial and other pertinent information from the County to complete the cost allocation plan. This plan determined the amount of indirect costs that the County was eligible to receive. The actual amount of indirect costs reimbursed to the County for 2013 totaled \$39,150. The County Auditor signed off on the indirect cost report prepared by the consultant from the County's records. There was no evidence that County officials had reviewed the indirect cost allocation plan for accuracy.

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 PROSECUTOR
SHELBY 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 all compliance requirements that have a direct and material effect to the program.

FINDING 2013-007 - ALLOWABLE COSTS/COSTS PRINCIPLES

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): Calendar Year 2013

Pass-Through Entity: Indiana Department of Child Services

Management of the County has not established an effective internal control system over compliance requirements relating to Allowable Costs/Cost Principles. The failure to establish an effective internal control system places the County at risk of noncompliance with the grant agreement and the compliance requirements.

The County was required to maintain time and effort reports on all full and part-time employees paid from the grant. The Department of Child Services has a report titled "Record of Monthly Time, State Form 45272 (3-92)/DFC Form 918." This form provides for employees to enter hours worked each day during the month and for them to sign that the time reported represents only Title IV-D work and is true and correct. The County Clerk's Office presented this report for the months tested; however, they were not signed by the employees for the time period January through June 2013. Beginning in July 2013, they were signed by the employees. The County Prosecutor's Office did not maintain this report from January through July 2013. They began maintaining this report in August 2013.

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

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

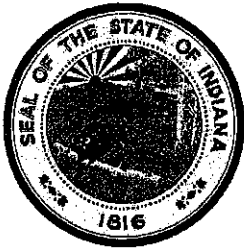
OMB Circular A-133, Subpart C, section .300 states in part:

"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 PROSECUTOR
SHELBY COUNTY
FEDERAL FINDINGS
(Continued)

Noncompliance with the grant agreement or the Allowable Cost/Cost Principles compliance requirements that has 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 to ensure compliance with Allowable Costs/Cost Principles compliance requirements.



OFFICE OF THE
SHELBY COUNTY PROSECUTING ATTORNEY
R. KENT APSLEY

16TH JUDICIAL CIRCUIT

JAMES B. LANDWERLEN
CHIEF
DEPUTY PROSECUTING ATTORNEY

JENNIFER KINSLEY
DEPUTY PROSECUTING ATTORNEY

EDWARD C. ZYCH
DEPUTY PROSECUTING ATTORNEY

CRAIG L. MARTIN
DEPUTY PROSECUTING ATTORNEY

MARY BARGA-STEPHENS
DEPUTY PROSECUTING ATTORNEY

CASSANDRA THOMAS
INVESTIGATOR

JERRY KIEFER
ADULT PROTECTIVE SERVICES
INVESTIGATOR

REBECCA MILLER
VICTIM ASSISTANCE COORDINATOR

**SHELBY COUNTY
COURTHOUSE**
407 SOUTH HARRISON STREET
ROOM #30
SHELBYVILLE, INDIANA 46176

(317) 392-6440
CRIMINAL DIVISION
(317) 392-6441
CHILD SUPPORT DIVISION
(317) 398-8847
FAX NUMBER

www.shelbyprosecutor.com

**FINDING 2013-004- INTERNAL CONTROLS OVER COMPLIANCE
REQUIREMENTS THAT HAVE DIRECT AND MATERIAL EFFECT
TO CHILD SUPPORT ENFORCEMENT**

Contact Person: Mary Barga-Stephens
Title Deputy Prosecutor
Contact Number: 317-392-6442

CORRECTIVE ACTION PLAN

The Prosecutor's Office will have a caseworker prepare the monthly expense claims and the deputy prosecutor will review and certify the claim.

Mary Barga-Stephens
Mary Barga-Stephens
Deputy Prosecutor
9-15-14



OFFICE OF THE
SHELBY COUNTY PROSECUTING ATTORNEY
R. KENT APSLEY

16TH JUDICIAL CIRCUIT

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**FINDING 2013-007- ALLOWABLE COSTS/COSTS
PRINCIPLES**

Contact Person: Mary Barga-Stephens
Contact Number: 317-392-6442
Anticipated Completion Date: August 2013

CORRECTIVE ACTION PLAN

The Prosecutor's Office is currently maintaining the Record of Monthly Time State Form 45272 as required. The office has been maintaining this form since August, 2013.

Mary Barga-Stephens
Mary Barga-Stephens
Deputy Prosecutor

COUNTY PROSECUTOR
SHELBY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 18, 2014, with Mary Barga-Stephens, Deputy Prosecutor.

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COUNTY SHERIFF
SHELBY COUNTY

COUNTY SHERIFF
SHELBY COUNTY
FEDERAL FINDINGS

FINDING 2013-005 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: Department of Justice

Federal Program: ARRA - Edward Byrne Memorial Justice Assistance Grant
(JAG) Program/Grants to States and Territories

CFDA Number: 16.803

Federal Award Number and Year (or Other Identifying Number): 2009-SU-B9-0047

Pass-Through Entity: Indiana Criminal Justice Institute

Management of the County has not established an effective internal control system, which would include segregation of duties, related to the Equipment and Real Property Management compliance requirement. 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.

The County has not maintained adequate equipment and property records which would account for all equipment and real property acquired with federal funds, which is necessary in order to comply with federal guidelines over Equipment and Real Property Management. No system exists to provide separate identification for items acquired with federal and nonfederal funds. No physical inventory of federally purchased equipment was presented for audit.

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."

28 CFR 66.32(d) states in part:

- "(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

COUNTY SHERIFF
SHELBY COUNTY
FEDERAL FINDINGS
(Continued)

- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated."

Failure to maintain detailed and accurate equipment and property records and to reconcile physical inventory could result in assets being lost, stolen, misappropriated, or disposed of improperly and not detected within a reasonable time.

We recommend that the County design and properly monitor procedures that would ensure accurate detailed equipment and property records are maintained and that inventories of property and equipment are conducted at least once every two years and reconciled to the detailed records. Any significant differences should be investigated and the appropriate adjustments made to the records. Also, any assets acquired with federal funds must be designated as such so that they are not disposed of improperly.

FINDING 2013-006 - SPECIAL TESTS AND PROVISIONS

Federal Agency: Department of Justice

Federal Program: ARRA - Edward Byrne Memorial Justice Assistance Grant
(JAG) Program/Grants to States and Territories

CFDA Number: 16.803

Federal Award Number and Year (or Other Identifying Number): 2009-SU-B9-0047

Pass-Through Entity: Indiana Criminal Justice Institute

Management of the County has not established an effective internal control system over the Special Tests and Provisions of the reporting of American Recovery and Reinvestment Act of 2009 (ARRA) funding to ensure compliance with the American Recovery and Reinvestment Act of 2009. The failure to establish an effective internal control system places the County at risk of material noncompliance.

The County is required to report ARRA expenditures separately on the Schedule of Expenditures of Federal Awards (SEFA). The Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to State and Territories program was not correctly identified as ARRA on the County's prepared grant schedule. Adjustments were proposed, accepted by the County, and made to the SEFA presented in this report.

2 CFR 176.210(b) states:

"For recipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," recipients agree to separately identify the expenditures for Federal awards under the Recovery Act on the Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection Form (SF-SAC) required by OMB Circular A-133. . . . This shall be accomplished by identifying expenditures for Federal awards made under the Recovery Act separately on the SEFA, and as separate rows under Item 9 of Part III on the SF-SAC by CFDA number, and inclusion of the prefix ARRA- in identifying the name of the Federal program on the SEFA and as the first characters in Item 9d of Part III on the SF-SAC."

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 SHERIFF
SHELBY COUNTY
FEDERAL FINDINGS
(Continued)

The County was not in compliance with ARRA funding compliance requirements. Failure to comply with these requirements could cause the County to be ineligible to receive future federal awards.

We recommended the County's management establish controls and procedures to ensure the reporting of ARRA funding for all grants.



Shelby County Sheriff Department

107 West Taylor Street
Shelbyville, IN 46176-2028

Michael D. Bowlby
Sheriff

FINDING 2013-005 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Contact Person: Michael D. Bowlby
Contact Number: 317-392-6401

CORRECTIVE ACTION PLAN

Our office will work closely with the Shelby County Auditor's Office to compile and maintain a list of property purchased with federal monies.

FINDING 2013-006 - SPECIAL TESTS AND PROVISIONS

Contact Person: Michael D. Bowlby
Contact Number: 317-392-6401

CORRECTIVE ACTION PLAN

In the future, we will ensure that the Shelby County Auditor's Office has the information required to properly prepare the Schedule of Expenditures of Federal Awards.

Signed 

Titled Sheriff, Shelby County

Date August 18, 2014

"A Tradition of Excellence Since 1822"

COUNTY SHERIFF
SHELBY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 18, 2014, with Michael D. Bowlby, Sheriff.

COUNTY CLERK OF THE CIRCUIT COURT
SHELBY COUNTY

COUNTY CLERK OF THE CIRCUIT COURT
SHELBY COUNTY
FEDERAL FINDING

FINDING 2013-007 - ALLOWABLE COSTS/COSTS PRINCIPLES

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): Calendar Year 2013

Pass-Through Entity: Indiana Department of Child Services

Management of the County has not established an effective internal control system over compliance requirements relating to Allowable Costs/Cost Principles. The failure to establish an effective internal control system places the County at risk of noncompliance with the grant agreement and the compliance requirements.

The County was required to maintain time and effort reports on all full and part-time employees paid from the grant. The Department of Child Services has a report titled "Record of Monthly Time, State Form 45272 (3-92)/DFC Form 918." This form provides for employees to enter hours worked each day during the month and for them to sign that the time reported represents only Title IV-D work and is true and correct. The County Clerk's Office presented this report for the months tested; however, they were not signed by the employees for the time period January through June 2013. Beginning in July 2013, they were signed by the employees. The County Prosecutor's Office did not maintain this report from January through July 2013. They began maintaining this report in August 2013.

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

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

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

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

Noncompliance with the grant agreement or the Allowable Cost/Cost Principles compliance requirements that has 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 to ensure compliance with Allowable Costs/Cost Principles compliance requirements.

VICKI R. FRANKLIN
Clerk of the Shelby County Courts
P O Box 198
Shelbyville, IN 46176-0198

Room 111
407 S Harrison St
Shelbyville, Indiana 46176

317-392-6320
Fax 317-392-6339
vfranklin@co.shelby.in.us

August 8, 2014

FINDING 2013-007 - ALLOWABLE COSTS/COSTS PRINCIPLES

Contact Person: Vicki R. Franklin, Clerk
Contact Number: 317-392-6320
Anticipated Completion Date July 2013

CORRECTIVE ACTION PLAN

Employee attendance reports for the title IV-D child support hours beginning in July 2013 are signed by each employee that works on IV-D related cases.

Signed Vicki R. Franklin
Titled Clerk of the Circuit Court
Date 8.8.14

COUNTY CLERK OF THE CIRCUIT COURT
SHELBY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 20, 2014, with Vicki R. Franklin, Clerk.