

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

JASPER COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED

11/21/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Kimberly K. Grow	01-01-13 to 12-31-16
Treasurer	Carla S. Anderson	01-01-13 to 12-31-16
Clerk	Vickie Bozell	01-01-11 to 12-31-14
Sheriff	Terry J. Risner	01-01-11 to 12-31-14
Recorder	Beth A. Warren	01-01-13 to 12-31-16
President of the Board of County Commissioners	Kendell Culp	01-01-13 to 12-31-14
President of the County Council	Ronald G. Sipkema Rein O. Bontreger	01-01-13 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 JASPER COUNTY, INDIANA

This report is supplemental to our audit report of Jasper 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 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.

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

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

September 9, 2014

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COUNTY AUDITOR
JASPER COUNTY

COUNTY AUDITOR
JASPER 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. **Preparing Financial Statement:** 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 material misstatements, including notes to the financial statement. The County Auditor independently prepares the financial statement without oversight, review, or approval.
2. **Monitoring of Controls:** Effective internal control over financial reporting requires the Board of County Commissioners to monitor and assess the quality of the County's system of internal control. The Board of County Commissioners has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places 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)

FINDING 2013-002 - INTERNAL CONTROLS AND COMPLIANCE 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 control in place that operates effectively, material misstatements of the SEFA could remain undetected. The Deputy Auditor independently prepares the SEFA without oversight, review, or approval.

During the audit of the SEFA, we noted the following errors: federal awards were incorrectly reported, some federal awards were not included, and some state grants were included in error. These errors resulted in the SEFA presented for audit to be understated by \$1,360,305. 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.

COUNTY AUDITOR
JASPER COUNTY
FEDERAL FINDINGS
(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 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 in part:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available."

Section III - Federal Award Findings and Questioned Costs

FINDING 2013-003 - INTERNAL CONTROLS OVER EQUITABLE SHARING PROGRAM

Federal Agency: Department of Justice

Federal Program: Equitable Sharing Program

CFDA Number: 16.922

Federal Award Number and Year (or Other Identifying Number): NCIC/ORI Tracking IN

Direct Grant

Management of the County has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect on the program. These requirements include: Allowable Activities, Allowable Costs, Cash Management, Equipment and Real Property Management, Procurement and Suspension and Debarment, Reporting, and Special Tests and Provisions. The failure to establish an effective internal control

COUNTY AUDITOR
JASPER COUNTY
FEDERAL FINDINGS

Debarment, Reporting, and Special Tests and Provisions. 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.

Allowable Activities and Allowable Costs

Although the County has procedures and policies in place for payment of claims, the procedures were not effective in ensuring that claims paid from the Equitable Sharing Program were for allowable costs or activities. There was also no evidence of oversight or review of compliance with these requirements.

Cash Management

The County does not have a policy or standard procedure in place to ensure that the County summarizes in the reports to the oversight agency the expenses that have been paid for the cash received in advance. There was also no evidence of oversight or review of compliance with this requirement.

Equipment and Real Property Management

Although the County does have a policy in place for determining whether or not a capital asset must be recorded in a capital asset record, the County has no standard procedure or process in place to ensure that the capital assets are being properly recorded. There was also no evidence of oversight or review of compliance with this requirement.

Procurement and Suspension and Debarment

The County does not have a policy or standard procedure in place for determining whether or not a vendor has been suspended or excluded from doing business with the federal government. Records were not maintained to document if the County researched the vendors and whether or not they were suspended or debarred. There was also no evidence of oversight or review of compliance with this requirement.

Reporting

The County does not have a policy or standard procedure in place for determining whether or not a report has been properly filed with the proper authority. There was also no evidence of oversight or review of compliance with this requirement.

Special Tests and Provisions

The County does not have a policy or standard procedure in place for ensuring that federal grants are recorded in separate funds. There was also no evidence of oversight or review of compliance with this requirement.

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.

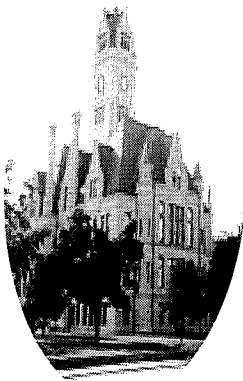
COUNTY AUDITOR
JASPER COUNTY
FEDERAL FINDINGS

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

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect on 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 on the program.



Kimberly K. Grow
Auditor of Jasper County

Date: September 9th, 2014

Section II Findings

FINDING 2013-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

The County will implement procedures to ensure segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

FINDING 2013-2 - INTERNAL CONTROLS OVER THE SCHEDULE OF FEDERAL AWARDS

The County will implement a proper system of internal controls in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA).

Section III Findings

FINDING 2013-3-INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO EQUITABLE SHARING PROGRAM

Federal Agency: U.S. DEPARTMENT OF JUSTICE
Federal Program: Equitable Sharing Program
CFDA Number: 16.922
Federal Award Number and Year (or Other Identifying Number): 2012
Direct Grant

The County will implement procedures to 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.

Commissioner Kendell Culp

Councilman Rein O Bontreger

Auditor Kimberly K. Grow

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Phone (219) 866-4930 Fax (219) 866-4940

COUNTY AUDITOR
JASPER COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 9, 2014, with Kimberly K. Grow, Auditor; Kendell Culp, President of the Board of County Commissioners; and Rein O. Bontreger, President of the County Council.

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BOARD OF COUNTY COMMISSIONERS
JASPER COUNTY

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JASPER COUNTY
FEDERAL FINDING

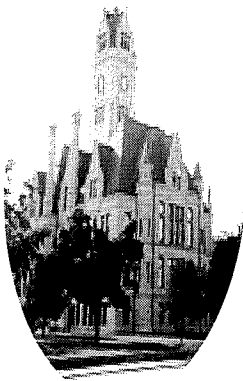
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Kimberly K. Grow
Auditor of Jasper County

Date: September 9th, 2014

Section II Findings

FINDING 2013-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

The County will implement procedures to ensure segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

FINDING 2013-2 - INTERNAL CONTROLS OVER THE SCHEDULE OF FEDERAL AWARDS

The County will implement a proper system of internal controls in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA).

Section III Findings

FINDING 2013-3-INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO EQUITABLE SHARING PROGRAM

Federal Agency: U.S. DEPARTMENT OF JUSTICE
Federal Program: Equitable Sharing Program
CFDA Number: 16.922
Federal Award Number and Year (or Other Identifying Number): 2012
Direct Grant

The County will implement procedures to 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.

Commissioner Kendell Culp

Councilman Rein O Bontreger

Auditor Kimberly K. Grow

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