

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

DEARBORN COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
12/19/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Gayle Pennington	01-01-11 to 12-31-14
Treasurer	Phillip D. Weaver	01-01-13 to 12-31-16
Clerk	Richard Probst	01-01-13 to 12-31-16
Sheriff	Michael J. Kreinhop	01-01-11 to 12-31-14
Recorder	Glenn D. Wright	01-01-11 to 12-31-14
President of the Board of County Commissioners	Shane McHenry	01-01-13 to 12-31-14
President of the County Council	Dennis A. Kraus, Sr.	01-01-13 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF DEARBORN COUNTY, INDIANA

This report is supplemental to our audit report of Dearborn 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 Finding, identified in the above referenced audit report, is 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.

The Corrective Action Plan for the Federal Finding incorporated within this report was not verified for accuracy.

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

September 29, 2014

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COUNTY COUNCIL
DEARBORN COUNTY

COUNTY COUNCIL
DEARBORN COUNTY
AUDIT RESULTS AND COMMENTS

DONATIONS OF RIVERBOAT ADMISSION TAX FUNDS

The County receives admission taxes derived from a riverboat gaming facility. During the year 2013, the County gave \$1,729,785 of riverboat admissions tax to various governmental entities pursuant to revenue sharing agreements. The amount was paid from the Riverboat Admissions fund.

Indiana Code 4-33-12 (Admission Taxes) does not contain provisions authorizing a county to enter into agreements with units of local government to share a county's share of admission taxes.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

A similar comment was reported in the prior Reports B31158, B32742, B34942, B37354, B39092, B40793, and B43415.

INTERNAL CONTROL - FINANCIAL ASSISTANCE TO ENTITIES

The County Council has been the governing body primarily responsible for authorizing financial assistance to nongovernmental entities. During the year 2013, the County provided financial assistance to nongovernmental entities totaling \$448,854. However, the County did not enter into contracts, grant agreements, or memorandums of understanding describing the purpose of the financial assistance or how the financial assistance was to be used. In addition, without a contract, grant agreement, or memorandum of understanding, there is no guarantee that the entities were adequately informed of the reporting and examination requirements in Indiana Code 5-11-1.

A contract, grant agreement, or memorandum of understanding is a starting point in establishing internal controls to provide assurance that public funds paid to other entities are being used for intended public purposes. The County made the following payments to nongovernmental entities from its Riverboat Admissions and Riverboat Revenue funds without a contract, grant agreement, or memorandum of understanding during the year 2013:

Entity	Totals
Volunteer Fire Departments (1)	\$ 197,690
Emergency Service Units (2)	148,267
Private Schools (3)	102,897
 Total	 \$ 448,854

Notes to Schedule:

- (1) Total payments made to 12 volunteer fire departments from the Riverboat Admission fund.
- (2) Total payments made to 9 emergency service units from the Riverboat Admissions fund.
- (3) Total payments made to 5 private schools from the Riverboat Revenue fund.

COUNTY COUNCIL
DEARBORN COUNTY
AUDIT RESULTS AND COMMENTS
(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)

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Indiana Code 5-11-1-16(a) states in part: "As used in this article, 'municipality' means any county . . . or other political subdivision of Indiana."

Indiana Code 5-11-1-24(f) states: "The state or a municipality may not enter into a contract with an entity subject to examination under this chapter if the contract does not permit the examinations and require the reports prescribed by this chapter."

A similar comment was reported in prior Report B43415.

COUNTY COUNCIL
DEARBORN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 29, 2014, with Gayle Pennington, Auditor; Shane McHenry, President of the Board of County Commissioners; Dennis A. Kraus, Sr., President of the County Council; and Leah Bailey, Financial Controller.

COUNTY HIGHWAY
DEARBORN COUNTY

COUNTY HIGHWAY
DEARBORN COUNTY
FEDERAL FINDING

FINDING 2013-001 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO DISASTER GRANTS - PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)

Federal Agency: Department of Homeland Security
Federal Program: Disaster Grants - Public Assistance (Presidentially Declared Disasters)
CFDA Number: 97.036
Federal Award Number and Year (or Other Identifying Number): 029-UHZU2-00-PA 1997
Pass-Through Entity: Indiana Department of Homeland Security

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: 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.

Reporting

The Highway Supervisor prepared and submitted quarterly reports to the state without proper oversight, review, or approval of the reports.

Special Tests and Provisions

The Highway Supervisor prepared and submitted the Project Completion & Certification Report (P-4) to the state without proper oversight, review, or approval of the report.

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."

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.



DEARBORN COUNTY AUDITOR

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CORRECTIVE ACTION PLAN

FINDING 2013-001 – INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO DISASTER GRANTS – PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)

Contact Person: Tim Greive
Title: County Highway Superintendent
Phone Number: (812) 655-9394

Status of Finding:

In the event of future emergencies the Dearborn County Highway Department will use the grant application process in place at this time to be signed by the Commissioners and Council. Any financial reports that pass through will be reviewed and initialed by the financial controller prior to submission to the state.

Shane McHenry
President - Board of County Commissioners

Date: 9/30/14

Gayle L. Pennington
County Auditor

Date: 9/29/14

COUNTY HIGHWAY
DEARBORN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 29, 2014, with Dennis A. Kraus, Sr., President of the County Council, and Shane McHenry, President of the Board of County Commissioners.