

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

GREENE 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	Matthew Baker	01-01-11 to 12-31-14
Treasurer	Kelly Zimmerly	01-01-13 to 12-31-16
Clerk	Susan Fowler	01-01-11 to 12-31-14
Sheriff	Terry Pierce	01-01-11 to 12-31-14
Recorder	Stuart Dowden	01-01-11 to 12-31-14
President of the Board of County Commissioners	Rick Graves	01-01-13 to 12-31-14
President of the County Council	W. Edward Cullison	01-01-13 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF GREENE COUNTY, INDIANA

This report is supplemental to our audit report of Greene 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 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

November 18, 2014

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COUNTY AUDITOR
GREENE COUNTY

COUNTY AUDITOR
GREENE COUNTY
FEDERAL FINDING

FINDING 2013-001 - INTERNAL CONTROLS OVER REPORTING

We noted the following deficiency in the internal control system of the County related to reporting. We believe the deficiency constitutes a material weakness.

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.

During the audit of the SEFA, we noted that expenditures were not included for the Highway Planning and Construction Grant in the amount of \$290,393, and the for Child Support Enforcement Program in the amount of \$312,256. Audit adjustments were proposed, accepted by the County, and made to the SEFA presented in this report.

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."

COUNTY AUDITOR
GREENE COUNTY
FEDERAL FINDING
(Continued)

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.
- (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."

Greene County Auditor
Matthew W. Baker
Greene County Courthouse
1 E. Main St.
Bloomfield, In. 47424

Phone 812-384-2008 E-mail: matthew.baker@co.greene.in.us Fax 812-384-2041

October 7, 2014

Corrective Action Plan

Finding 2013-001 – Internal Controls Over Reporting

Contact Person Responsible for Corrective Action: Matthew W. Baker, Greene County Auditor
Contact Phone Number: (812) 384-2008
Anticipated Completion Date: December 17, 2014

Corrective Action Plan:

The Auditor's Office will work to develop proper means to accurately track the Schedule of Expenditures of Federal Awards (SEFA) for Greene County, including the CFDA numbers, the amounts received and disbursed, and the Federal agency and program. This may be done in the form of an electronic spreadsheet.

The Auditor's Office will reach out to those offices and departments who apply for and obtain Federal grant funds and compare this to the Federal Grants site in order to better maintain an accurate reporting of these Federal grant awards.

Respectfully yours,



Matthew W. Baker
Greene County Auditor

COUNTY AUDITOR
GREENE COUNTY
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

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

<u>Fund</u>	<u>Amount Overdrawn</u>
Clerk's Records Perpetuation	\$ 1,777
Payroll Clearing	52,093
Settlement	1,428
HEA 1001 State Homestead Credit	3,729
Bio-Terrorism Grant	111
Victim Assistance Grant	5,861
Community Corrections 05/06	5,450

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)

FUND SOURCES AND USES

The beginning balance of the County's COIT Distribution fund was \$5,520. Receipts and disbursements of the County's COIT fund were correctly held and expended in 2013. As a result, the COIT fund continues to have a remaining balance of \$5,520 at year end. This money is from a transaction that has remained uncorrected for several years.

The COIT Distribution fund is to be used as a clearing fund for COIT receipts and distributions for all local units of government and should have no ending balance at year end.

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 County Auditors of Indiana, Chapter 14)

RECONCILIATION OF SUBSIDIARY LEDGERS

Reconcilements between the payroll deductions subsidiary funds and payroll withholding control account were not performed during the audit period. The Payroll Clearing fund had a negative fund balance of \$52,093 at December 31, 2013.

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
GREENE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 18, 2014, with Matthew Baker, Auditor.

COUNTY TREASURER
GREENE COUNTY

COUNTY TREASURER
GREENE COUNTY
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Each month a depository reconciliation of the fund balances to the bank account balances was conducted; however, not all differences between the bank account balance and the Treasurer's Cash Book were identified. As previously reported, at December 31, 2012, the adjusted bank balance was \$7,785.23 less than the total funds shown on the Treasurer's Cash Book. The unreconciled differences varied month to month throughout the year. At December 31, 2013, the adjusted bank balance was \$4,379.03 less than the total funds shown on the Treasurer's Cash Book.

On January 10, 2014, in accordance with Council Ordinance No. 2013-05, Resolution Authorizing Adjusting Entry to Reconcile Books of Account of the Greene County Treasurer, the Cash book adjustment of \$7,785.23 was entered. Due to the December 31, 2012 authorized adjustment being greater than the December 31, 2013 difference, the correction should have resulted in a net cash long of \$3,406.29. However, after the adjustment was made, the cash long amount was \$912.50 as of January 31, 2014. The unreconciled monthly differences continue to vary in 2014.

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)

COUNTY TREASURER EXCISE, SURTAX, AND WHEEL TAX

The Vehicle License Excise Tax line on the Treasurer's Cash Book includes with the excise tax, both surtax and wheel tax collections.

Indiana Code 6-3.5-4-13(a) states: "In the case of a county that does not contain a consolidated city of the first class, the county treasurer shall deposit the surtax revenues in a fund to be known as the _____ County Surtax Fund."

Indiana Code 6-3.5-5-15(a) states: "In the case of a county that does not contain a consolidated city, the county treasurer shall deposit the wheel tax revenues in a fund to be known as the 'County Wheel Tax Fund.'"

At least monthly, preferable daily, the county treasurer enters the BMV collections on the Cashbook. The treasurer's receipt should be issued for the excise tax and it is entered to the excise tax account in the Other Sources Section of the Cashbook. In the counties where wheel tax and surtax have been adopted, the wheel tax and surtax is deposited by quietus to the county auditor's wheel tax/surtax fund or the individual funds for each. (The County Bulletin and Uniform Compliance Guidelines, April 2014)

COUNTY TREASURER
GREENE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

INCOMPLETE SETTLEMENT

The Treasurer's Cash Book indicated tax collections in excess of the December 2013 amounts disbursed in settlement. The undisbursed amount of \$29,913.31 was subsequently disbursed on June 10, 2014.

The tax settlement is the process by which money collected through taxation is distributed to the various funds for which the taxes were levied. The tax settlement is a transfer of money from the various taxing district accounts to funds. Necessary adjustments of the amounts to be distributed to the various funds are made by the county auditor to reimburse the county general fund for advancements previously made on account of "erroneous taxes refunded" and "examinations of records."

Too much emphasis cannot be placed on the necessity for the treasurer to determine that the amount for which the settlement quietus is written is the same as the total amount of tax collections (including financial institution and license excise), as shown on the records. Any difference here will mean that the treasurer is either long or short. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 6)

Indiana Code 6-1.1-27-2 states:

"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."

COUNTY TREASURER
GREENE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 18, 2014, with Kelly Zimmerly, Treasurer.

COUNTY CLERK OF THE CIRCUIT COURT
GREENE COUNTY

COUNTY CLERK OF THE CIRCUIT COURT
GREENE COUNTY
FEDERAL FINDINGS

FINDING 2013-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS

We noted several deficiencies in the internal control system of the Clerk of the Circuit Court 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 Clerk of the Circuit Court's Office to reduce risks to the achievement of financial reporting objectives. The Clerk of the Circuit Court has not separated incompatible activities related to receipts, disbursements, and cash balances. The person that performs bank reconciliations also collects receipts and makes the bank deposits. No other person reviews the bank reconciliations. Several employees were performing transactions under the Clerk of the Circuit Court's log in on the system. 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 Clerks of the Circuit Courts of Indiana, Chapter 13)

Access to information stored on the computer must be protected through the use of user identification codes and confidential passwords. Each user must have a unique user identification code and password. User identification codes and passwords may not be shared. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 14)

FINDING 2013-003 - INTERNAL CONTROLS AND COMPLIANCE OVER ALLOWABLE COSTS/COST 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): FY 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 possible noncompliance with the grant agreement and the compliance requirements.

COUNTY CLERK OF THE CIRCUIT COURT
GREENE COUNTY
FEDERAL FINDINGS
(Continued)

An internal control system, should be designed and operate effectively to provide reasonable assurance that noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis.

The County was required to maintain time and effort reports on all full and part-time employees paid from the grant. The Indiana Department of Child Services has a report titled "Record of Monthly Time, State Form 45272 (3-92)/DFC Form 918." This form provides a space for employees to enter hours worked each day during the month and a place for them to sign certifying that the time reported represents only Title IV-D work and that the time reported is true and correct. The Clerk of the Circuit Court's Office maintained the time and effort reports and presented the forms for the months tested, but the forms were not signed by the employee or supervisory official certifying that the time reported was true and correct.

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 compliance requirements could result in the loss of federal funds to the County.

We recommended that the County's management establish controls and procedures to ensure compliance with the Allowable Costs/Cost Principles requirement.



Greene County Clerk of Circuit & Superior Courts

PO Box 229
Bloomfield IN 47424

Phone 812-384-8532
Fax 812-384-8458

October 7, 2014

Corrective Action Plan for:
2013-002 Internal Controls over Financial Transactions

Description of Corrective Action Plan:

All employees now take payments from their desks using their own sign-in. Three employees now take turns balancing the receipts each evening; each of them overseeing the others.

Anticipated Completion Date: October 7, 2014

Contact Person Responsible for Corrective Action: Susan Fowler

Contact Phone Number: 812-384-8532



(Signature)

Clerk

(Title)

October 7, 2014

(Date)



Greene County Clerk of Circuit & Superior Courts

PO Box 229
Bloomfield IN 47424

Phone 812-384-8532
Fax 812-384-8458

October 7, 2014

Corrective Action Plan for:
2013-003 Internal Controls and Compliance Over Allowable Costs/Cost Principles

Description of Corrective Action Plan:

All employees shall now sign both the payroll sheets submitted to Malinowski Consulting and the Record of Monthly Time, State Form 45272 (3-92)/DFC Form 918.

Anticipated Completion Date: October 7, 2014

Contact Person Responsible for Corrective Action: Susan Fowler

Contact Phone Number: 812-384-8532

Susan Fowler
(Signature)

Clerk
(Title)

October 7, 2014
(Date)

COUNTY CLERK OF THE CIRCUIT COURT
GREENE COUNTY
AUDIT RESULT AND COMMENT

CONDITION OF RECORDS

Financial records presented for audit for the Clerk of the Circuit Court's funds were incomplete and not reflective of the activity of the Clerk of the Circuit Court's funds. The records presented included a print out from an old MHI account with a detail of accounts payable that did not agree to the amount being used as the cash fund balance. This is an old account that cannot be converted to the new Odyssey system. It contains many posting errors made over a long period of time.

The MHI account records included an outstanding check list, but it was not being used as part of the reconciliation of the account. As of December 31, 2013, the detail to the control ledger was \$52,887 short; the amount of this difference as of December 31, 2012, was \$53,187. The cash reconciliation using the outstanding check list for the MHI account was \$3,131 short.

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 Clerks of the Circuit Courts of Indiana, Chapter 13)

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 Clerks of the Circuit Courts of Indiana, Chapter 13)

COUNTY CLERK OF THE CIRCUIT COURT
GREENE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 18, 2014, with Susan Fowler, Clerk.