

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

RIPLEY COUNTY, INDIANA

January 1, 2013 to December 31, 2013



**FILED**  
01/09/2015



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## SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	William Wagner	01-01-11 to 12-31-14
Treasurer	Amy Copeland	01-01-13 to 12-31-16
Clerk	Mary Ann McCoy	01-01-13 to 12-31-16
Sheriff	Thomas Grills (Vacant) Rodney Stratton	01-01-11 to 04-01-14 04-02-14 to 04-14-14 04-15-14 to 12-31-14
Recorder	Ginger Bradford	01-01-13 to 12-31-16
President of the Board of County Commissioners	Robert Reiners	01-01-13 to 12-31-14
President of the County Council	Dephane Smith	01-01-13 to 12-31-14



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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TO: THE OFFICIALS OF RIPLEY COUNTY, INDIANA

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

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

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

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

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

October 6, 2014

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COUNTY AUDITOR  
RIPLEY COUNTY

COUNTY AUDITOR  
RIPLEY COUNTY  
FEDERAL FINDINGS

***FINDING 2013-001 - INTERNAL CONTROLS OVER THE PREPARATION  
OF 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. 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 to reduce risks to the achievement of financial reporting objectives. The County has not separated incompatible activities related to preparation of the Schedule of Expenditures of Federal Awards (SEFA). The County Auditor prepares the SEFA. There was no evidence presented that a review of the SEFA was being made by someone other than the person preparing the SEFA. 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 Auditors of Indiana, Chapter 14)

***FINDING 2013-003 - INTERNAL CONTROLS OVER THE  
PREPARATION OF THE FINANCIAL STATEMENT***

We noted the following deficiency in the internal control system of the County related to the preparation of the financial statement. 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 to reduce risks to the achievement of financial reporting objectives. The County has not separated incompatible activities related to the preparation of the financial statement. The County Auditor inputs financial information into the Annual Financial Report. There was no evidence presented that the information submitted was reviewed by someone other than the County Auditor. The Annual Financial Report was used to prepare the financial statement presented in this report. 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.



COUNTY AUDITOR  
RIPLEY COUNTY  
FEDERAL FINDINGS  
(Continued)

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 2013-005 - PROCUREMENT, SUSPENSION, AND DEBARMENT***

Federal Agency: Department of Housing and Urban Development  
Federal Program: Community Development Block Grants/State's Program  
and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): CF-12-122

Pass-Through Entity: Indiana Office of Community and Rural Affairs

Management of the County has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and to the Procurement, Suspension, and Debarment compliance requirement that has a direct and material effect on the program. 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.

The County did not independently review the subrecipient's status with the federal Systems Awards Management system. The subrecipient did not certify eligibility. There was no documentation of any clauses or conditions wherein the subrecipient was required to be eligible to participate in federal assistance programs.

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."

2 CFR, Subpart C-Responsibilities of Participants Regarding Transactions Doing Business With Other Persons, 180.300 states:

"What must I do before I enter into a covered transaction with another person at the next lower tier?

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the EPLS; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

COUNTY AUDITOR  
RIPLEY 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.

**WILLAM LEE WAGNER  
RIPLEY COUNTY AUDITOR**

P.O. Box 235  
Versailles, Indiana 47042

Phone: 812-689-6311  
Fax: 812-689-3006

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9/23/2014

The following courses of action to correct State Board of Accounts findings are as follows:

- 1) Finding No. 2013-001—Internal controls over the preparation of the schedule of expenditures of federal awards.

Auditor will have a deputy of the Auditor's office review before final submission to verify the accuracy of the entries. Contact: William Lee Wagner —Ripley County Auditor 812-689-6311: Effective completion date 10/1/2014

- 2) Finding No. 2013-003 Internal controls over the preparation of the financial statement.

Auditor will have the entries to the financial statement reviewed by a deputy of the department before submission to verify the accuracy of the entries. Contact: William Lee Wagner—Ripley County Auditor 812-689-6311: Effective completion date 10/1/2014

- 3) Finding 2013-005 Procurement, Suspension and Debarment.

Auditor will have sub-recipients eligibility verified through the Federal Systems Awards Management System for grant eligibility. Auditor will also have a deputy auditor verify compliance for the award. Contact: William Lee Wagner—Ripley County Auditor 812-689-6311: Effective completion date 10/1/2014

*William Lee Wagner Ripley County Auditor*  
*William Lee Wagner*

**Email: [auditor@ripleycounty.com](mailto:auditor@ripleycounty.com)**

COUNTY AUDITOR  
RIPLEY COUNTY  
AUDIT RESULTS AND COMMENTS

***OVERDRAWN CASH BALANCE***

The financial statement presented in the Annual Report included an overdrawn cash balance in the Settlement Fund in the amount of \$1,614 at December 31, 2013.

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)

***SETTLEMENT FUND***

The County has not properly implemented the new chart of accounts for counties that went into effect on January 1, 2012. A uniform Settlement Fund, number 6000, was established by the County; however, that fund was not used when posting settlement transactions in the year 2013.

All counties must implement the use of the new chart of accounts by January 1, 2012. (County Bulletin, January 2011, Vol. No. 376, pg. 3)

A chart of accounts is a listing of account titles, with numerical symbols, employed in the compilation of financial data. It also serves to facilitate processing of claims, warrants and other documents and as a convenience in posting ledgers.

A numerical coding system has been established for use in accounting for funds, revenues, appropriations and expenditures, which is adaptable to all counties having a manual or mechanized accounting system, as distinguished from electronic data processing. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 5)

COUNTY AUDITOR  
RIPLEY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 6, 2014, with William Wagner, Auditor.

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COUNTY CLERK  
RIPLEY COUNTY

COUNTY CLERK  
RIPLEY COUNTY  
FEDERAL FINDINGS

***FINDING 2013-002 - INTERNAL CONTROLS OVER FINANCIAL  
TRANSACTIONS AND REPORTING - CLERK***

We noted the following deficiencies in the internal control system of the Clerk's Office related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Clerk's Office to reduce risks to the achievement of financial reporting objectives. The Clerk has not separated incompatible activities related to cash and investment balances, receipts, and disbursements. 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 Clerks of Indiana, Chapter 13)

***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): FY 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 the Special Tests and Provisions compliance requirement that has a direct and material effect to the program. The failure to establish an effective



COUNTY CLERK  
RIPLEY COUNTY  
FEDERAL FINDINGS  
(Continued)

internal control system places the County at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could also allow non-compliance 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.

The Clerk of the Circuit Court (Clerk) performed all reconcilements of County bank accounts used to account for Child Support funds to the Indiana Support Enforcement Tracking System case balances. There were no reviews of the reconcilements by someone other than person preparing the reconciliation.

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. Non-compliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the County.

We recommended that the County's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

**MARY ANN McCOY  
CLERK OF RIPLEY COUNTY COURTS**

P.O. Box 177  
Versailles, Indiana 47042

Phone: 812-689-6115  
Fax: 812-689-6000

**FINDING NO 2013-002, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS  
AND REPORTING CLERK**

**MARY ANN MCCOY, RIPLEY COUNTY CLERK**

**812-689-6115**


Control over the receipting, disbursing, recording and accounting on all the Financials activities (all reports) will be reviewed by a deputy (other than the person preparing) and sign all daily. This will take place immediately.

**FINDING NO. 2013-004, INTERNAL CONTROLS OVER COMPLIANCE  
REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO CHILD  
SUPPORT ENFORCEMENT.**

**MARY ANN MCCOY, CLERK OF RIPLEY COUNTY**

**812-689-6115**

Review of the reconcilements of the County bank accounts (Child Support/Trust Funds) will be made each month by a deputy other than the person preparing the reconciliation, effective immediately.

A handwritten signature in cursive script that reads "Mary Ann McCoy, Clerk Ripley County".

**MARY ANN MCCOY**

**RIPLEY COUNTY, CLERK**

**Email: [mamccoy@ripleycounty.com](mailto:mamccoy@ripleycounty.com)**

COUNTY CLERK  
RIPLEY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 6, 2014, with Mary Ann McCoy, Clerk.