

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

NOBLE COUNTY, INDIANA

January 1, 2013 to December 31, 2013



**FILED**  
01/23/2015



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## SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Jacqueline L. Knafel	01-01-11 to 12-31-14
Treasurer	Michele J. Bricker	01-01-13 to 12-31-16
Clerk	Michelle L. Mawhorter	01-01-13 to 12-31-16
Sheriff	Douglas A. Harp	01-01-11 to 12-31-14
Recorder	Candy B. Myers	01-01-13 to 12-31-14
President of the County Council	Donald A. Moore Wayne F. Clouse	01-01-13 to 01-13-13 01-14-13 to 12-31-14
President of the Board of County Commissioners	Gary D. Leatherman	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 NOBLE COUNTY, INDIANA

This report is supplemental to our audit report of Noble 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 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 24, 2014

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COUNTY AUDITOR  
NOBLE COUNTY

COUNTY AUDITOR  
NOBLE COUNTY  
FEDERAL FINDINGS

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

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. 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 disbursements. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. The County's claim processing is handled primarily by one staff person within the County Auditor's Office. The claims processing staff person audits the claims, issues the payments for claims, and posts the payments to the various funds. We found numerous claims paid without proper supporting documentation.
2. Monitoring of Controls: Effective internal control over financial reporting requires the Board of County Commissioners, or their designee, to monitor and assess the quality of the County's system of internal control. The Board of County Commissioners or their designee have not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility place 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 County Auditors of Indiana, Chapter 14) (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Indiana Code 5-11-10-1.6(c) states:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and



COUNTY AUDITOR  
NOBLE COUNTY  
FEDERAL FINDINGS  
(Continued)

- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

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

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. 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 payroll and related liabilities. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. The County's payroll processing is handled primarily by one staff person in the County Auditor's Office. The payroll staff person inputs the information from the departments' payroll vouchers into the computerized payroll system, issues the payments for employee benefits and related payroll expenses, and reconciles the direct deposit listing to a detailed employee list.
2. Monitoring of Controls: Effective internal control over financial reporting requires the Board of County Commissioners, or their designee, to monitor and assess the quality of the County's system of internal control. The Board of County Commissioners or their designee have not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility place 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 County Auditors of Indiana, Chapter 14) (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

***FINDING 2013-003 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING -  
PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)***

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

COUNTY AUDITOR  
NOBLE COUNTY  
FEDERAL FINDINGS  
(Continued)

Preparation of the Schedule of Expenditures of Federal Awards (SEFA): The County Auditor did not properly report the federal awards expended for each grant reported on the SEFA. Effective internal control over financial reporting involves the identification of all federal awards received throughout the County, analysis of the risks of material misstatement to the County's SEFA, and determining how those identified risks should be managed. The County Auditor should establish procedures for identifying the source of awards that are received by the County, and if the source was the federal government, the award should be listed on the SEFA. The failure to establish controls resulted in a SEFA with numerous errors. Audit adjustments totaling \$507,360 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) (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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.
- (3) Provide the 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.

COUNTY AUDITOR  
NOBLE COUNTY  
FEDERAL FINDINGS  
(Continued)

- (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."

# NOBLE COUNTY AUDITOR

*Jacqueline L. Knafel*

Room 220 - Courthouse  
101 N. Orange Street  
Albion, Indiana 46701

Phone 260-636-2658  
Fax: 260-636-4001  
[jknafel@nobleco.org](mailto:jknafel@nobleco.org)

## Corrective Action Plan

Finding 2013 -1 Finding 2013 -2 Internal Controls over Financial Transactions & Reporting –  
Disbursements and Payroll Processing

### Auditee Contact Person(s)

Jacqueline L. Knafel [jknafel@nobleco.org](mailto:jknafel@nobleco.org) 260-636-2658

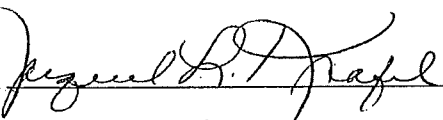
### Corrective Action:

Currently each department has in place a person responsible for reviewing claims and payroll. This is then to be reviewed by the department head or elected official who then signs the claims and payroll form provided.

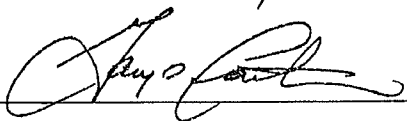
This information is then sent to the Auditor's office for review by the Claims Administrator and payroll clerk. Any questionable issue by the claims administrator and payroll clerk are currently reviewed by the Auditor. After their review, a report is generated for review by the Noble County Commissioners. Claims are taken into their meetings and pulled for further review by them as requested.

To further execute another layer of review, ALL claims and payroll are reviewed by the Noble County Auditor and initialed after review by the Auditor or another deputy assigned to that responsibility. In addition to this we have added a form which contains the number of pages of the report, the amount of the reported claims or payroll and signatures of all reviewing employees. All claims are reviewed by the commissioners at which time the Claims deputy is present with all claims for individual review upon request by the commissioners.

Dated this 20<sup>th</sup> day of November, 2014



Jacqueline L. Knafel, Noble County Auditor



Gary Leatherman, Noble County Commissioner President

# NOBLE COUNTY AUDITOR

*Jacqueline L. Knafel*

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## Corrective Action Plan

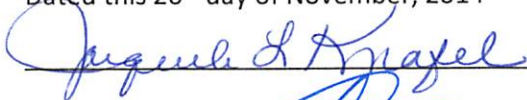
### Finding 2014-003 Internal Controls over Financial Transactions and Report - preparation of the Schedule of Federal Awards

Auditee Contact Person: Jacqueline L. Knafel [jknafel@nobleco.org](mailto:jknafel@nobleco.org) 260-636-2658

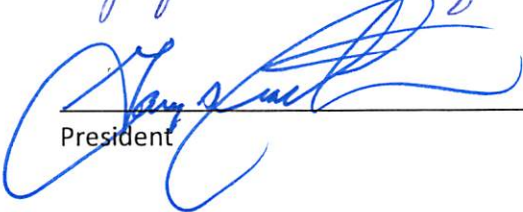
#### Corrective Action:

Currently the same requirements for Federal Awards are the same as any other financial reporting. The department receiving the federal award is to have a copy of the grant, award letter and any other information received from the awarding agency in the Noble County Auditors office. The department of which the grant is given is to be completely aware and knowledgeable of the proper purchases allowed under the grant. Claims are processed in the same manner of all other claims in Noble County. Monthly balancing is in place with the specific department and the Auditor's office to insure proper monthly reporting to the Grant agencies are correct. The same layers of review are in place as reported in the Disbursements and Payroll.

Dated this 20<sup>th</sup> day of November, 2014



\_\_\_\_\_  
Jacqueline L. Knafel, Noble County Auditor



\_\_\_\_\_  
Gary Leatherman, Noble County Commissioner  
President

COUNTY AUDITOR  
NOBLE COUNTY  
AUDIT RESULTS AND COMMENTS

**COUNTY PRESCRIBED CHART OF ACCOUNTS**

The County implemented the new chart of accounts prescribed by the Indiana State Board of Accounts as required by January 1, 2012. However, many of the fund numbers used were incorrect.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

**AUDITOR INTERNAL CONTROLS - EXCESS (SURPLUS) TAX**

Internal controls over the recording and accounting for the financial activities of the Excess (Surplus) Tax fund were insufficient due to a lack of oversight by County officials. The individual excess (surplus) tax records do not reconcile to the County Auditor's Funds Ledger, Excess (Surplus) Tax fund. The County Auditor's Funds Ledger, Excess (Surplus) Tax fund has a balance at December 31, 2013, of \$88,985.51 and the individual excess (surplus) tax records have a cumulative balance of \$83,036.13. The difference of \$5,949.38 indicates the County's collection of excess (surplus) tax has not been identified to applicable individuals whom the excess (surplus) tax is owed.

A similar comment appeared in prior Report B42548.

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. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

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)

**OFFICIAL BOND**

The County Auditor's official bond was insufficient per the Indiana Code. The County Auditor should have \$30,000 of bond coverage, but the coverage was \$15,000.

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond:

- (1) City judges, controllers, clerks, and clerk-treasurers.
- (2) Town judges and clerk-treasurers.

COUNTY AUDITOR  
NOBLE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks.
  - (4) Township trustees.
  - (5) Those employees directed to file an individual bond by the fiscal body of a city, town, or county.
  - (6) Township assessors (if any).
- (b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).
- (c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:
- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
  - (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee. County auditors shall file bonds in amounts of not less than thirty thousand dollars (\$30,000), as fixed by the fiscal body of the county. The amount of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000)."

### **ORDINANCES AND RESOLUTIONS**

The County adopted a 2013 amended salary ordinance covering the employees' in the Public Defender's Office. The amended ordinance stated the period January 1, 2013 to December 31, 2013. However, these salaries are generally based on the state fiscal year, July 1 to June 30. Due to this, we were unable to verify if the employees were properly paid.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

### **CREDIT CARD POLICY**

As stated in prior Report B42548, the County was using credit cards to purchase items without an approved credit card policy.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

COUNTY AUDITOR  
NOBLE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

**ERRORS ON CLAIMS**

A test of claims identified the following deficiencies:

1. \$1,252.45 in overpayments of eight liens did not have documentation of Treasurer's Notification of Claim for Surplus.
2. Of the claims tested, 9 percent of claims, not including Treasurer's Notification of Claims for Surplus, did not have adequate supporting documentation. This error resulted in \$9,500.36 of expenditures which did not have adequate supporting documentation.
3. In September 2013, the County did not take a credit of \$55.09 on a credit card invoice. As of the last payment made in 2013 for the same credit card account, there was still an unused credit.
4. For coroner autopsy cases paid, payment is based on if the individual is certified or non-certified. We could not obtain verification of certification for an individual paid for seven cases.



COUNTY AUDITOR  
NOBLE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

5. Interest payments were noted on three claims for a total of \$156.30. There was also a late payment fee of \$35.

A similar comment appeared in prior Report B42548.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

(1) there is a fully itemized invoice or bill for the claim . . ."

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

**FUNDS USES AND SOURCES**

As stated in prior Report B42548, the County disbursed \$16,709.73 from the Recorder's Records Perpetuation fund for various County departments' supplies, furniture, membership dues, and conference expenses. These disbursements should have been made from the applicable County departments' budget within the General fund or the respective department fund if the department is not funded through the General fund.

We instructed the following County departments to reimburse the Recorder's Records Perpetuation fund as follows:

County Department	Fund/Department Reimbursement Paid From	Amount
Clerk's Office	General Fund/Clerk's Budget	\$ 4,118.33
Sheriff's Department	General Fund/Sheriff's Budget	821.48
Recorder's Office	General Fund/Recorder's Budget	5,931.51
County Council	General Fund/County Council Budget	989.81
County Commissioners	General Fund/County Commissioner's Budget	2,114.20
Plan Commission	General Fund/Plan Commission Budget	166.51
Treasurer's Office	General Fund/Treasurer's Budget	313.26
Auditor's Office	General Fund/Auditor's Budget	528.94
Building Department	General Fund/Building Department Budget	42.00
General Fund Unappropriated	General Fund/Unappropriated	<u>360.60</u>
	Total General Fund	15,386.64
County Highway Department	County Highway Fund	937.62
County Health Department	County Health Fund	<u>385.47</u>
	Total All Funds	<u><u>\$ 16,709.73</u></u>

COUNTY AUDITOR  
NOBLE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

The County has not made these transfers as instructed.

Indiana Code 36-2-7-10(d) states in part: "The county recorder may use any money in this fund without appropriation for the preservation of records and the improvement of record keeping systems and equipment."

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)

**APPROPRIATIONS**

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Excess Amount Expended</u>
Rainy Day	\$ 15,000
Reassessment	30,459
Victim Witness	296

A similar comment appeared in prior Report B42548.

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."

**REGISTER OF CLAIMS**

Of the claims tested for compliance, we were unable to verify Board approval on all of those claims. A register of claims for June 28, 2013, and October 4, 2013, was not presented for audit. The register of claims for September 21, 2013, was not signed by the Board.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . .

(5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

This form shall be prepared by, or filed with, the county auditor together with the supporting claims and all such documents shall be carefully preserved by the disbursing officer as a part of the official records of the office. (IC 5-11-10-2(c))

COUNTY AUDITOR  
NOBLE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Where a mechanized or computerized accounting system is in use, it is permissible to prepare the Register of Claims on an alternate form. The alternate form must contain the same headings and information shown on the prescribed form and, if claims are not individually allowed, the form must contain the certification and signatures of the governing body as shown on the prescribed form. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 4)

***COLLECTION OF AMOUNTS DUE***

The amount of \$88.26 was due to the County as of December 31, 2013. On January 13, 2013, Renee Harp, Jail Matron, reimbursed the County \$88.26 for 600 rounds of ammunition purchased for Abby Harp, a County Dispatcher. The invoice for this ammunition states that the County purchased 120 boxes of 50 rounds for \$14.71 each. The ammunition for Abby Harp would have been 12 boxes at \$14.71/box for a total of \$176.52. The reimbursement of \$88.26 was only half of the total price paid by the County. The County should pursue collection of the remaining \$88.26 owed.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR  
NOBLE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 24, 2014, with Jacqueline L. Knafel, Auditor; Gary D. Leatherman, President of the Board of County Commissioners; and Wayne L. Targgart, County Council member.

BOARD OF COUNTY COMMISSIONERS  
NOBLE COUNTY

BOARD OF COUNTY COMMISSIONERS  
NOBLE COUNTY  
FEDERAL FINDINGS

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

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. 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 disbursements. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. The County's claim processing is handled primarily by one staff person within the County Auditor's Office. The claims processing staff person audits the claims, issues the payments for claims, and posts the payments to the various funds. We found numerous claims paid without proper supporting documentation.
2. Monitoring of Controls: Effective internal control over financial reporting requires the Board of County Commissioners, or their designee, to monitor and assess the quality of the County's system of internal control. The Board of County Commissioners or their designee have not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility place 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 County Auditors of Indiana, Chapter 14) (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Indiana Code 5-11-10-1.6(c) states:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and

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NOBLE COUNTY  
FEDERAL FINDINGS  
(Continued)

- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

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

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. 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 payroll and related liabilities. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. The County's payroll processing is handled primarily by one staff person in the County Auditor's Office. The payroll staff person inputs the information from the departments' payroll vouchers into the computerized payroll system, issues the payments for employee benefits and related payroll expenses, and reconciles the direct deposit listing to a detailed employee list.
2. Monitoring of Controls: Effective internal control over financial reporting requires the Board of County Commissioners, or their designee, to monitor and assess the quality of the County's system of internal control. The Board of County Commissioners or their designee have not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility place 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 County Auditors of Indiana, Chapter 14) (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

***FINDING 2013-003 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING -  
PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)***

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

BOARD OF COUNTY COMMISSIONERS  
NOBLE COUNTY  
FEDERAL FINDINGS  
(Continued)

Preparation of the Schedule of Expenditures of Federal Awards (SEFA): The County Auditor did not properly report the federal awards expended for each grant reported on the SEFA. Effective internal control over financial reporting involves the identification of all federal awards received throughout the County, analysis of the risks of material misstatement to the County's SEFA, and determining how those identified risks should be managed. The County Auditor should establish procedures for identifying the source of awards that are received by the County, and if the source was the federal government, the award should be listed on the SEFA. The failure to establish controls resulted in a SEFA with numerous errors. Audit adjustments totaling \$507,360 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) (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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.
- (3) Provide the 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.



BOARD OF COUNTY COMMISSIONERS  
NOBLE COUNTY  
FEDERAL FINDINGS  
(Continued)

- (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."

# NOBLE COUNTY AUDITOR

*Jacqueline L. Knafel*

Room 220 - Courthouse  
101 N. Orange Street  
Albion, Indiana 46701

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[jknafel@nobleco.org](mailto:jknafel@nobleco.org)

## Corrective Action Plan

Finding 2013 -1 Finding 2013 -2 Internal Controls over Financial Transactions & Reporting –  
Disbursements and Payroll Processing

### Auditee Contact Person(s)

Jacqueline L. Knafel [jknafel@nobleco.org](mailto:jknafel@nobleco.org) 260-636-2658

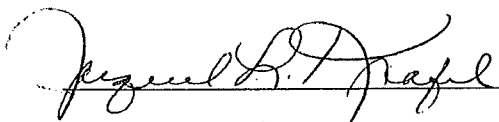
### Corrective Action:

Currently each department has in place a person responsible for reviewing claims and payroll. This is then to be reviewed by the department head or elected official who then signs the claims and payroll form provided.

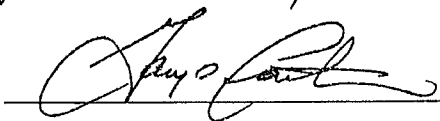
This information is then sent to the Auditor's office for review by the Claims Administrator and payroll clerk. Any questionable issue by the claims administrator and payroll clerk are currently reviewed by the Auditor. After their review, a report is generated for review by the Noble County Commissioners. Claims are taken into their meetings and pulled for further review by them as requested.

To further execute another layer of review, ALL claims and payroll are reviewed by the Noble County Auditor and initialed after review by the Auditor or another deputy assigned to that responsibility. In addition to this we have added a form which contains the number of pages of the report, the amount of the reported claims or payroll and signatures of all reviewing employees. All claims are reviewed by the commissioners at which time the Claims deputy is present with all claims for individual review upon request by the commissioners.

Dated this 20<sup>th</sup> day of November, 2014



Jacqueline L. Knafel, Noble County Auditor



Gary Leatherman, Noble County Commissioner President

# NOBLE COUNTY AUDITOR

*Jacqueline L. Knafel*

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## Corrective Action Plan

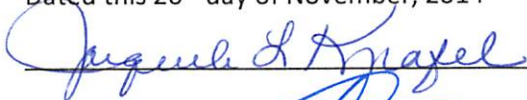
### Finding 2014-003 Internal Controls over Financial Transactions and Report - preparation of the Schedule of Federal Awards

Auditee Contact Person: Jacqueline L. Knafel [jknafel@nobleco.org](mailto:jknafel@nobleco.org) 260-636-2658

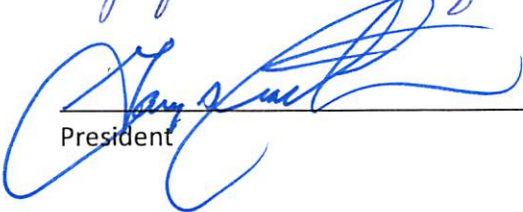
#### Corrective Action:

Currently the same requirements for Federal Awards are the same as any other financial reporting. The department receiving the federal award is to have a copy of the grant, award letter and any other information received from the awarding agency in the Noble County Auditors office. The department of which the grant is given is to be completely aware and knowledgeable of the proper purchases allowed under the grant. Claims are processed in the same manner of all other claims in Noble County. Monthly balancing is in place with the specific department and the Auditor's office to insure proper monthly reporting to the Grant agencies are correct. The same layers of review are in place as reported in the Disbursements and Payroll.

Dated this 20<sup>th</sup> day of November, 2014



\_\_\_\_\_  
Jacqueline L. Knafel, Noble County Auditor



\_\_\_\_\_  
President

\_\_\_\_\_  
Gary Leatherman, Noble County Commissioner

BOARD OF COUNTY COMMISSIONERS  
NOBLE COUNTY  
AUDIT RESULT AND COMMENT

***CREDIT CARD POLICY***

As stated in prior Report B42454, the County was using credit cards to purchase items without an approved credit card policy.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

BOARD OF COUNTY COMMISSIONERS  
NOBLE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 24, 2014, with Gary D. Leatherman, President of the Board of County Commissioners, and Wayne L. Targgart, County Council member.

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COUNTY SHERIFF  
NOBLE COUNTY

COUNTY SHERIFF  
NOBLE COUNTY  
AUDIT RESULTS AND COMMENTS

**OFFICIAL BOND**

The County Sheriff's Surety Bond was insufficient per the Indiana Code. The Sheriff's bond coverage was \$30,000, but should have been a minimum of \$60,000.

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond:

- (1) City judges, controllers, clerks, and clerk-treasurers.
- (2) Town judges and clerk-treasurers.
- (3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks.
- (4) Township trustees.
- (5) Those employees directed to file an individual bond by the fiscal body of a city, town, or county.
- (6) Township assessors (if any).

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).



COUNTY SHERIFF  
NOBLE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee. County auditors shall file bonds in amounts of not less than thirty thousand dollars (\$30,000), as fixed by the fiscal body of the county. The amount of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000)."

***COLLECTION OF AMOUNTS DUE***

The amount of \$88.26 was due to the County as of December 31, 2013. On January 13, 2013, Renee Harp, Jail Matron, reimbursed the County \$88.26 for 600 rounds of ammunition purchased for Abby Harp, a County Dispatcher. The invoice for this ammunition states that the County purchased 120 boxes of 50 rounds for \$14.71 each. The ammunition for Abby Harp would have been 12 boxes at \$14.71/box for a total of \$176.52. The reimbursement of \$88.26 was only half of the total price paid by the County. The County should pursue collection of the remaining \$88.26 owed.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY SHERIFF  
NOBLE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 24, 2014, with Douglas A. Harp, Sheriff; Gary D. Leatherman, President of the Board of County Commissioners; and Wayne L. Targgart, County Council member.