

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ORANGE COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
02/06/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Donna Atchison	01-01-13 to 12-31-16
Treasurer	Sandy Hill	01-01-13 to 12-31-16
Clerk	Beth Jones	01-01-13 to 12-31-16
Sheriff	Richard W. Dixon	01-01-11 to 12-31-14
Recorder	Terry Nicholson	01-01-13 to 12-31-16
President of the Board of County Commissioners	Don Brewer	01-01-13 to 12-31-14
President of the County Council	Marshall Noble James McDonald	01-01-13 to 12-31-13 01-01-14 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF ORANGE COUNTY, INDIANA

This report is supplemental to our audit report of Orange 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, incorporated within this report, was not verified for accuracy.

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

December 8, 2014

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COUNTY AUDITOR
ORANGE COUNTY

COUNT AUDITOR
ORANGE COUNTY
FEDERAL FINDINGS

FINDING 2013-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The County did not have a proper system of internal control 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 the following errors:

1. The County failed to report Department of Health and Human Services funds which were passed through the Indiana Department of Health in the amount of \$35,037.
2. The County reported expenditures associated with the Department of Transportation of \$387,674 which were state funds and should not have been included.
3. The County made additional errors and omissions which netted to an over reporting on the SEFA of \$69,058.
4. The County failed to correctly identify pass-through entities.

Audit adjustments in the amount of \$421,695 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."

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

COUNT AUDITOR
ORANGE COUNTY
FEDERAL FINDINGS
(Continued)

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."

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

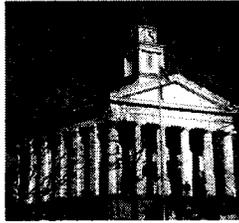
The County did not have a proper system of internal control in place to prevent, or detect and correct, errors on the 2013 financial statement generated by the Gateway Annual Financial Report. The County should have proper controls in place over the preparation of the Annual Financial Report to ensure accurate reporting of financial activity and supplementary information. Without a proper system of internal control in place that operates effectively, material misstatements of the financial activity and supplementary information included with the Annual Financial Report could remain undetected.

The Gateway Annual Financial Report was compiled by the County Auditor and a third party due to the password being shared by the County Auditor with the third party. Changes to the Annual Financial Report were subsequently made by the third party and saved to the Gateway system. The County Auditor submitted the Annual Financial Report to Gateway without a proper review of all the data that had been entered into the system. The County's financial statement is prepared from the information entered in the Gateway Annual Financial Report.

Even though the password to the Gateway system was shared by the County Auditor and the Annual Financial Report was not properly reviewed before submission, the County's financial statement that was generated was found to be materially correct.

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)



Donna Atchison
Auditor of Orange County
205 East Main St. Suite 1
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auditor1@co.orange.in.us

December 8, 2014

Indiana State Board of Accounts
302 Washington Street Room E418
Indianapolis, IN 46204-2765

FINDING 2013-001 PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CORRECTIVE ACTION PLAN

The office will implement a new ordinance for the accurate accounting of federal awards by the following procedures not later than December 31, 2014

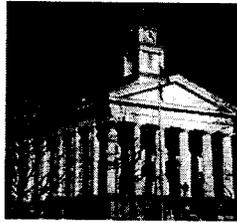
1. All applications will be presented to the Auditor and Commissioners before any other action is taken by the applicant.
2. The applicant, Auditor and Commissioners shall have knowledge of OMB Circular A-133 and its contents.
3. The applicant, Auditor and Commissioner shall follow OMB Circular A-133 rules and regulations.
4. The Commissioners shall enforce the rules and regulations provided in Circular A-133
5. The applicant must provide a detailed description of the award.
6. The applicant must provide the reason for the application.
7. The applicant must provide the purpose of the application.
8. The applicant must provide a plan of action for the funds awarded.
9. The plan of action must conform to the rules and bylaws of the award.
10. The applicant must provide contact information.
11. Upon receipt of the award the applicant must provide the Auditor with the amount received.
12. The Auditor will enter a new line item for amount received.
13. The Auditor will enter a new line item for expenses submitted by the applicant.
14. The applicant must provide proper documentation and line item number for all claims made against the award. Any purchases made which are not grant specific will not be paid.
15. The assets purchased by the grant will remain county property.
16. The applicant will provide a list of all assets purchased including any identification number to the Auditor upon purchase. The Auditor will perform a complete and accurate inventory of assets at their discretion.
17. The Auditor and Applicant shall keep a excel worksheet of receipts, disbursements and assets
18. The Auditor upon their discretion shall audit the applicant worksheet for comparison to hers.

19. The Auditor shall balance both excel sheets against the financial software report in order to create an accurate accounting for the yearend report posted to Gateway.
20. The applicant shall make ready any and all reports requested by the commissioners in a timely manner.
21. The Commissioners shall be made aware of any irregularities in any reports by the Auditor and or the Applicant.

These procedures shall apply to all awards, federal, local or pass through.

Yours truly,


Donna Atchison



Donna Atchison
Auditor of Orange County
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December 8, 2014

Indiana State Board of Accounts
302 Washington Street Room E418
Indianapolis, IN 46204-2765

FINDING 2013-002 INTERNAL CONTROLS OVER FINANCIAL TRANSCATIONS AND REPORTING

CORRECTIVE ACTION PLAN

This office has instituted a NO SHARE password policy. Any access to Gateway will be in the presence of the Auditor. Submissions will be made by the Auditor.

Any information necessary to file a complete and accurate report will be provided to the Auditor in a timely manner.

The annual report will balance with any and all figures used to compile the report. Outside balances such as amortization and grants will balance with the financial software.

The capital assets section will include an updated infrastructure amount. This office will work with the Highway Department to attain the number of bridges and roads in the county. All departments will provide a complete list of assets in their office and the Auditors office with a value of \$1,000 or more and an inventory of items below \$999.

Yours truly,

Donna Atchison
Donna Atchison

COUNTY AUDITOR
ORANGE COUNTY
AUDIT RESULT AND COMMENT

ANNUAL REPORT

The Annual Financial Report for 2013 was filed with the State Examiner on March 8, 2014, which was seven days late.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

COUNTY AUDITOR
ORANGE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 8, 2014, with Donna Atchison, Auditor; James McDonald, President of County Council; Don Brewer, President of the Board of County Commissioners; and John F. Nobblitt, County Council member.

COUNTY SHERIFF
ORANGE COUNTY

COUNTY SHERIFF
ORANGE COUNTY
AUDIT RESULTS AND COMMENTS

COMMISSARY REIMBURSEMENTS - COUNTY SHERIFF

Numerous expenses totaling \$17,875 were paid from the County Sheriff's Commissary Fund instead of from the funds in the County Auditor's Ledger, thereby circumventing the claims process. A claim was then later submitted to the County Auditor to reimburse the County Sheriff's Commissary Fund for these expenditures from the appropriate funds on the County Auditor's Ledger. The majority of the reimbursements were for items such as postage, ammunition, hotel, food, supplies, etc.

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;
- (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
- (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."

COMPENSATION - SHERIFF'S DEPARTMENT EMPLOYEES

Compensation was paid to nine employees (including jailers, dispatchers, cooks, jail commander, and bookkeeper) from the County Sheriff's Commissary Fund and not included in the payroll system or on the salary ordinance or resolution. The total compensation paid to these employees out of the County Sheriff's Commissary Fund in 2013 was \$2,948.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 14)

COUNTY SHERIFF
ORANGE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 8, 2014, with Richard W. Dixon, Sheriff; James McDonald, President of County Council; Don Brewer, President of the Board of County Commissioners; Donna Atchison, Auditor; and John F. Nobblitt, County Council member.