

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BROWN COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
05/08/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Glenda K. Stogsdill	01-01-11 to 12-31-14
Treasurer	Mary E. Smith	01-01-13 to 12-31-16
Clerk of the Circuit Court	Beth A. Mulry	01-01-11 to 12-31-14
Sheriff	Rick D. Followell	01-01-11 to 12-31-14
Recorder	Sandy S. Cain	01-01-13 to 12-31-16
President of the Board of County Commissioners	John Kennard	01-01-13 to 12-31-14
President of the County Council	David Critser	01-01-13 to 12-31-14



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF BROWN COUNTY, INDIANA

This report is supplemental to our audit report of Brown 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

January 15, 2015

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COUNTY AUDITOR
BROWN COUNTY

COUNTY AUDITOR
BROWN COUNTY
FEDERAL FINDINGS

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

We noted several deficiencies in the internal control systems of the County related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Preparation of Financial Statement: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the County's audited financial statement and then determining how those identified risks should be managed. The County has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent, or detect and correct, material misstatements, including notes to financial statement. The Annual Financial Report submitted through the Gateway system is used to compile the County's financial statement. The Annual Financial Report was not submitted by the County until March 24, 2014. When the Annual Financial Report was compared to the funds ledger, several funds were found to have been excluded as well as some funds having incorrect balances. The County made some corrections and resubmitted the Annual Financial Report on April 3, 2014. The County still did not perform any review to be sure that the financial information agreed to the ledger and some errors still persisted.
2. Monitoring of Controls: Effective internal control over financial reporting requires the Board of County Commissioners to monitor and assess the quality of the County's system of internal control. The Board of County Commissioners has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the County at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the County has no process to identify or communicate corrective actions to improve controls. The County Treasurer's bank accounts did not reconcile with the amounts reported in the County Treasurer's Daily Balance of Cash and Depositories by \$8,609 as of December 31, 2013. Additionally, the funds ledger cash reported in the County Treasurer's Daily Balance of Cash and Depositories at December 31, 2013, differed by \$12,569 from the County Auditor's funds ledger. This is an ongoing issue from prior audits and the Board of County Commissioners failed to monitor this situation during 2013.

The failure to establish and maintain internal controls could enable material misstatements or irregularities to remain undetected.

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 Indiana Code 5-14-3.8-7."

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 objections, 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
BROWN 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 2013-002 - INTERNAL CONTROL OVER 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, 23 out of the 30 projects were either incorrectly reported or omitted. Audit adjustments were proposed, accepted by the County, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

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 objections, 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 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.

COUNTY AUDITOR
BROWN COUNTY
FEDERAL FINDINGS
(Continued)

- (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 2013-003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII

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: DR1HB-009-003; DR1HB-009-004; and A192-13-FF-12-101

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

The County has not established an effective internal control system, which would include monitoring the activities of paid consultants, related to the grant agreement and the compliance requirements related to Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Davis-Bacon Act, Procurement and Suspension and Debarment, Program Income, and Reporting. The failure to establish an effective internal control system places the County at risk of material noncompliance.

The County hired paid consultants as grant administrators. They were responsible for complying with the grant agreement and federal grant compliance requirements. The County received all grant documents including grant agreements, invoices, claims, and reports for approval. The County signed the required documents but did not monitor the compliance requirements of the major program. The County relied on the consultants for all federal compliance requirements and did not review their work.

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.

COUNTY AUDITOR
BROWN COUNTY
FEDERAL FINDINGS
(Continued)

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."

These deficiencies were reported in the County's 2012 Financial Statement and Federal Single Audit Report. The County's Summary Schedule of Prior Audit Findings, as presented in this report, does not accurately represent the current status of the finding.

OMB Circular A-133, Subpart C, section .315 states in part:

"(b) Summary schedule of prior audit findings. The summary schedule of prior audit findings shall report the status of all audit findings included in the prior audit's schedule of findings and questioned costs relative to Federal awards. The summary schedule shall also include audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected in accordance with paragraph (b)(1) of this section, or no longer valid or not warranting further action in accordance with paragraph (b)(4) of this section."

The failure to establish these controls could enable material misstatements and noncompliance to be 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 establish controls to effectively monitor the activities of paid consultants employed by the County to ensure compliance related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

***FINDING 2013-004 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS
THAT HAVE A DIRECT AND MATERIAL EFFECT TO HAZARD MITIGATION GRANT***

Federal Agency: Department of Homeland Security
Federal Program: Hazard Mitigation Grant
CFDA Number: 97.039
Federal Award Number and Year: C44P-1-049A, C44P-1-052A
Pass-Through Entity: Indiana Department of Homeland Security

The County has not established an effective internal control system, which would include monitoring activities of paid consultants, related to the grant agreement and over compliance requirements related to Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Matching, and Reporting. The failure to establish an effective internal control system places the County at risk of material noncompliance.

The County hired a paid consultant as a grant administrator. The consultant was responsible for complying with the federal grant compliance requirements. The County received all grant documents including grant agreements, invoices, claims, and reports for approval. The County signed the required documents but did not monitor the compliance requirements of the major program. The County relied on the consultant for all federal compliance requirements and did not perform any oversight of their work.

COUNTY AUDITOR
BROWN COUNTY
FEDERAL FINDINGS
(Continued)

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.

Control activities should be selected and developed at various levels to reduce risks of error and/or fraud related to federal award programs. The County has not separated incompatible activities within the managing of the federal award 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."

These deficiencies were reported in the County's 2012 Financial Statement and Federal Single Audit Report. The County's Summary Schedule of Prior Audit Findings, as presented in this report, does not accurately represent the current status of the finding.

OMB Circular A-133, Subpart C, section .315 states in part:

"(b) Summary schedule of prior audit findings. The summary schedule of prior audit findings shall report the status of all audit findings included in the prior audit's schedule of findings and questioned costs relative to Federal awards. The summary schedule shall also include audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected in accordance with paragraph (b)(1) of this section, or no longer valid or not warranting further action in accordance with paragraph (b)(4) of this section."

The failure to establish these controls could enable material misstatements and noncompliance to be 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 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.

FINDING 2013-005 - PERIOD OF AVAILABILITY HAZARD MITIGATION GRANT

Federal Agency: Department of Homeland Security
Federal Program: Hazard Mitigation Grant
CFDA Number: 97.039
Federal Award Number and Year: C44P-1-049A, C44P-1-052A
Pass-Through Entity: Indiana Department of Homeland Security

COUNTY AUDITOR
BROWN COUNTY
FEDERAL FINDINGS
(Continued)

Management of the County has not established an effective internal control system over compliance requirements relating to Period of Availability. The failure to establish an effective internal control system places the County at risk of noncompliance with the grant agreement and the compliance requirements.

We noted five instances of noncompliance with Period of Availability requirements. Claims 33 and 34 were filed for reimbursement for C44P-1-049A for services that occurred after the end of the grant period of June 1, 2013. Claims 10, 11, and 12 were filed for reimbursement for C44P-1-052 for services that occurred after the end of the grant period of June 13, 2012.

When questioned about payments made after the period of availability, the paid consultant requested an extension which was granted by the pass-through agency on March 7, 2014, for C44P-1-049A and C44P-1-052A extending the grants until April 1, 2015.

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 Brown County State-Local Agreement Hazard Mitigation Grant Program Agreement, Section 5.B indicates that the subgrantee shall obligate the funds by June 1, 2013. There was a Supplemental Agreement for additional funds entered into as well and that agreement indicates that the subgrantee shall obligate the funds by June 13, 2013. The Notification of Grant Award provided by the Indiana Department of Homeland Security indicates the grant funds must be obligated by the end of the grant period, or a request for an extension must be filed.

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.

The County and grant administrator should develop procedures to insure grant funds are only disbursed for obligations within the appropriate period of availability. All purchasing individuals should be made aware of each grant's period of availability and definition of obligation. If an extension of the grant is needed it should be requested prior to the end of the grant period.

**FINDING 2013-006 - PERIOD OF AVAILABILITY COMMUNITY DEVELOPMENT BLOCK
GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII**

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: DR1HB-009-003, DR1HB-009-004
Pass-Through Entity: Office of Community and Rural Affairs

COUNTY AUDITOR
BROWN COUNTY
FEDERAL FINDINGS
(Continued)

Management of the County has not established an effective internal control system over compliance requirements relating to Period of Availability. The failure to establish an effective internal control system places the County at risk of noncompliance with the grant agreement and the compliance requirements.

We noted five instances of noncompliance with period of availability requirements. Claims 33 and 34 were filed for reimbursement for DR1HB-009-003 for services that occurred after the end of the grant period June 13, 2013. Claims 10, 11, and 12 were filed for grant DR1HB-009-004 after the end of the grant period June 13, 2013.

When questioned about payments made after the period of availability, the paid consultant requested an extension which was granted by the pass-through agency on May 15, 2014, for DR1HB-009-003 and DR1HB-009-004 extending the grants until December 26, 2014.

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 Grant Award Agreements with Indiana Housing and Community Development Authority, Item 5, Term of Agreement states: "This agreement shall be effective as of the date hereof and shall remain in effect until the termination date set forth in the DHS Agreement (Refer to Finding No. 2013-005), except as extended by written consent of the parties, unless sooner terminated as provided herein (the 'Term')."

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 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.

The County and grant administrator should develop procedures to insure grant funds are only disbursed for obligations within the appropriate period of availability. All purchasing individuals should be made aware of each grant's period of availability and definition of obligation. If an extension of the grant is needed it should be requested prior to the end of the grant period.

***FINDING 2013-009 - EQUIPMENT AND REAL PROPERTY
MANAGEMENT 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: 2013
Pass-Through Entity: Indiana Department of Child Services

The County has not established an effective internal control system related to the Equipment and Real Property Management compliance requirement. The failure to establish an effective internal control system places the County at risk of noncompliance with the grant agreement and the compliance requirements.

COUNTY AUDITOR
BROWN COUNTY
FEDERAL FINDINGS
(Continued)

The County does not maintain records that identify equipment and other property acquired with federal monies. No system exists to provide separate identification for items acquired with federal and nonfederal funds. No physical inventory of federally purchased equipment was presented for audit. The County used their Child Support Program funds to purchase equipment to be used for the program.

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."

45 CFR 92.32(d) states:

"Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return."

Failure to maintain detailed and accurate equipment and property records and to reconcile physical inventory could result in assets being lost, stolen, misappropriated, or disposed of improperly, and not detected within a reasonable time.

We recommended that the County design and properly monitor controls and procedures that would ensure accurate detailed equipment and property records are maintained and that inventories of property and equipment are conducted at least once every two years and reconciled to the detailed equipment and property records. Any significant differences should be investigated and the appropriate adjustments made to the records. Also, any assets acquired with federal funds must be designated as such so that they are not disposed of improperly.



Glenda Stogsdill
Brown County Auditor
201 Locust Lane
P. O. Box 37
Nashville, IN 47448
(812) 988-5485

CORRECTIVE ACTION PLAN

FINDING 2013-001

Contact Person Responsible for Corrective Action: Glenda K. Stogsdill
Contact Phone Number: 812-988-5485

Description of Corrective Action Plan: The Head Bookkeeper will take more time entering the Financial Reporting in Gateway. We will compare Harris with Gateway and make sure it balances.

The Treasurer and Auditor has been working on the differences for the past year and will continue to monitor the accounts. Great changes have occurred in balancing the funds during the past year. Although we still have unbalanced funds we are making every effort to rectify the differences.

Anticipated Completion Date: December 31, 2014

Glenda Stogsdill
(Signature)
Auditor
(Title)
8/13/14
(Date)



Glenda Stogsdill
Brown County Auditor
201 Locust Lane
P. O. Box 37
Nashville, IN 47448
(812) 988-5485

CORRECTIVE ACTION PLAN

FINDING 2013-002

Contact Person Responsible for Corrective Action: Glenda K. Stogsdill
Contact Phone Number: 812-988-5485

Description of Corrective Action Plan: We will review and report in Gateway. The Commissioners and the County Administrator will continue to work to provide all information correctly.

Anticipated Completion Date: 9/1/14

Glenda Stogsdill
(Signature)

Auditor
(Title)

8/13/14
(Date)



Glenda Stogsdill
Brown County Auditor
201 Locust Lane
P. O. Box 37
Nashville, IN 47448
(812) 988-5485

CORRECTIVE ACTION PLAN

FINDING 2013-003

Contact Person Responsible for Corrective Action: Glenda K. Stogsdill
Contact Phone Number: 812-988-5485

Description of Corrective Action Plan: The County will implement Control Procedures and monitor all grants maintained by the Grant Administrator for accuracy and Compliance.

Anticipated Completion Date: 9/1/14

Glenda Stogsdill
(Signature)

Auditor
(Title)

8/13/14
(Date)



Glenda Stogsdill
Brown County Auditor
201 Locust Lane
P. O. Box 37
Nashville, IN 47448
(812) 988-5485

CORRECTIVE ACTION PLAN

FINDING 2013-004

Contact Person Responsible for Corrective Action: Glenda K. Stogsdill
Contact Phone Number: 812-988-5485

Description of Corrective Action Plan: The County will implement Internal Control procedures and monitor all Grants maintained by the Grant Administrator for accuracy and compliance.

Anticipated Completion Date: November 30, 2014

Glenda Stogsdill
(Signature)

Auditor
(Title)

8/13/14
(Date)



Glenda Stogsdill
Brown County Auditor
201 Locust Lane
P. O. Box 37
Nashville, IN 47448
(812) 988-5485

CORRECTIVE ACTION PLAN

FINDING 2013-005

Contact Person Responsible for Corrective Action: Glenda K. Stogsdill
Contact Phone Number: 812-988-5485

Description of Corrective Action Plan: We will monitor the expiration date on the Grants.
If there are claims that are outstanding at the expiration date we will ask for an extension.

Anticipated Completion Date: September 1, 2014

Glenda Stogsdill
(Signature)

Auditor
(Title)

8/13/14
(Date)



Glenda Stogsdill
Brown County Auditor
201 Locust Lane
P. O. Box 37
Nashville, IN 47448
(812) 988-5485

CORRECTIVE ACTION PLAN

FINDING 2013-006

Contact Person Responsible for Corrective Action: Glenda K. Stogsdill
Contact Phone Number: 812-988-5485

Description of Corrective Action Plan: The County will implement internal controls over the Grants besides the Grant Administrator.

Anticipated Completion Date :September 1, 2014

Glenda Stogsdill
(Signature)

Auditor
(Title)

8/13/14
(Date)



Glenda Stogsdill
Brown County Auditor
201 Locust Lane
P. O. Box 37
Nashville, IN 47448
(812) 988-5485

CORRECTIVE ACTION PLAN

FINDING 2013-009

Contact Person Responsible for Corrective Action: Glenda K. Stogsdill
Contact Phone Number: 812-988-5485

Description of Corrective Action Plan: The County will establish a program to list all the fixed assets the County has and will distinguish between the County equipment and anything that has been purchased with Federal Funds.

Anticipated Completion Date :November 30, 2014

Glenda Stogsdill
(Signature)

Auditor
(Title)

8/13/14
(Date)

COUNTY AUDITOR
BROWN COUNTY
AUDIT RESULTS AND COMMENTS

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General	2013	<u>\$ 835,874</u>

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."

ANNUAL REPORT

The Annual Report for 2013 was not filed electronically until March 24, 2014. The report contained a number of errors and did not properly reflect the financial activity of Brown County. Material errors were corrected and the Annual Report was resubmitted on April 3, 2014.

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."

CAPITAL ASSETS

The County has not properly maintained a complete inventory of capital assets owned. They have a detail of capital assets but it does not agree with the capital assets reported in the Annual Financial Report. Many items have been disposed of but are still included in the detail listing. Assets purchased with federal funds were not included.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the applicable Capital Assets Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR
BROWN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

ERRORS ON CLAIMS

A test of claims identified the following deficiencies:

1. Claims for attorney fees did not contain adequate supporting documentation. The County has a contract noting an hourly rate. The invoices were not detailed showing work performed and time charged.
2. Credit card claims were paid without supporting documentation. Fifteen credit card claims were paid on the basis of the credit card statement only. In addition, we noted penalty and interest payments were made on four claims in 2013.

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."

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

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)

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.

COUNTY AUDITOR
BROWN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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 the usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, dated the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchases 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)

NONCOMPLIANCE WITH PAYROLL REQUIREMENTS

The following deficiencies were observed:

1. A leave or overtime policy was presented for audit, but was not being followed by all departments. Timesheets are completed weekly by each employee and signed for approval by their department head or supervisor. They are submitted to the County Auditor's Office for payment. No additional review is made by anyone of how the overtime, flex time, compensatory time, vacation or sick leave is accrued or taken. From the review of the payroll claims, they are not being reported the same in each department. Several errors were noted in the recording of flex and compensatory time resulting in payment for hours accrued in error.
2. Employees were paid for accrued vacation time which is contrary to the policy on hand.
3. An employee recorded vacation time off but reported hours worked and accrued additional compensatory time earned. This was contrary to the County's policy.
4. Sheriff Department employees accrued vacation time on January 1, instead of their anniversary date for 2013. No adjustments were made if they left employment. The policy was amended for 2014 to allow Sheriff Department employees to accrue vacation time on January 1.

COUNTY AUDITOR
BROWN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

5. Prescribed Form 99A Employee Service Record is not being maintained showing when vacation, sick, and personnel leave is earned and used.
6. The Board of County Commissioners minutes stated that employees were picking up payroll checks and cashing them before the issue date.
7. It was noted where an employee had several errors on the timesheet and was paid for hours not worked. The timesheet was approved by the department head. This was later reviewed and the pay adjusted.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

Each governmental unit should adopt a written policy regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated labor contracts approved by the governing board would be considered as written policy. The policy should conform to the requirements of all state and federal regulatory agencies. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

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)

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)

EXCISE TAX RECONCILIATION WORKSHEET

The County Auditor's and County Treasurer's excise tax reconciliation worksheet filed with the Auditor of State's Office for December 2013 contained errors. It reported an unidentified balance of excise of \$520,720. It contained posting errors of \$214,667 that the County Treasurer failed to record. The correct unidentified excise balance reported should have been \$306,053. The County has not balanced the excise tax fund for years.

At the time of each semiannual tax settlement the county treasurer shall report such tax collections, together with the auto rental excise tax and aircraft license excise tax collections discussed in this section, on County Form No. 49TC, County Treasurer's Certificate of Tax Collections, and the total shown by the auditor's records shall be verified with the treasurer's certificate before distribution is made. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 9)

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 9)

COUNTY AUDITOR
BROWN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS

The County Auditor was not in compliance with the following:

1. The County did not use Fund 6000 for their Settlement fund as required.
2. The Settlement fund had a balance before and after settlement of \$7,547. This is unidentified from prior years.
3. Fund 6006 LOIT Stabilization Fund has a balance of \$46,151 instead of zero.
4. CAGIT Fund 7311 had a balance of \$405,590 at December 31, 2013, and the CEDIT Fund 7312 had a balance of \$716,092 at December 31, 2013. These funds should have a zero balance.

Fund 6000, Settlement fund, is used to quietus property taxes and distributes those taxes to other governments at each property tax settlement. Fund 6006, LOIT Stabilization Fund is used to account for LOIT set aside for distributions to the governments for the property tax operating levy freeze. The CAGIT and CEDIT funds are used to account for the deposit and distribution of these local option income taxes to the County fund and other local government funds. These funds should not have a beginning or ending balance and the existence of such a balance indicates that not all taxes received were distributed properly.

Indiana Code 6-3.5-7-16.5(a) states: "The county auditor shall timely distribute the certified distribution received under section 12 of this chapter to each city and town that is a recipient of a certified distribution."

Indiana Code 6-3.5-1.1-11.5 states:

"(a) The county auditor shall timely distribute the part of the certified distribution received under section 10 of this chapter that constitutes property tax replacement credits to each civil taxing unit and school corporation that is a recipient of property tax replacement credits as provided by sections 12, 13, and 14 of this chapter.

(b) The county auditor shall timely distribute the part of a certified distribution received under section 10 of this chapter that constitutes certified shares to each civil taxing unit that is a recipient of certified shares as provided by section 15 of this chapter.

(c) A distribution is considered to be timely made if the distribution is made not later than ten (10) working days after the date the county treasurer receives the county's certified distribution under section 10 of this chapter."

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)

All counties must implement the use of the new chart of accounts by January 1, 2012. (The County Bulletin and Uniform Compliance Guidelines, Vol. No. 376, page 3)

The deadline has been extended to January 1, 2013. (The County Bulletin and Uniform Compliance Guidelines, Vol. No. 381, page 11, Q&A #5)

COUNTY AUDITOR
BROWN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 14, 2014, with Glenda K. Stogsdill, County Auditor, and David Critser, President of the County Council, and on August 18, 2014, with David Anderson, County Commissioner.

COUNTY TREASURER
BROWN COUNTY

COUNTY TREASURER
BROWN COUNTY
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliation did not balance. A total of all bank account balances to the Daily Record of Cash and Depositories was not performed. No detail of the reconciling items was maintained.

Controls were not in place to ensure the balance per the bank accounts reconciled with the County Treasurer's Daily Record of Cash and Depositories. The County Treasurer's Daily Record of Cash and Depositories showed \$8,610 as amount needed to reconcile. They have maintained this difference for the 2013 year.

A reconciliation of the monthly comparison report of ledger fund balances is not being done between the County Treasurer and County Auditor. As of December 31, 2013, the amount the County Treasurer showed on the County Treasurer's Daily Record of Cash and Depositories for the fund ledger balance was \$12,569 more than the County Auditor's fund ledger balance. They have not been able to identify and correct these differences.

No combined bank reconciliation worksheet was completed, which would have enabled the County Treasurer's staff to more readily determine whether the bank reconciliations and the County Treasurer's Daily Record of Cash and Depositories actually balanced. The County Treasurer does not review or approve the bank reconciliation.

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 the close of each calendar month a Monthly Financial Statement, County Form No. 61, shall be prepared, showing the financial transactions for the month and year to date, for each fund and in total.

The county treasurer is also required to independently prepare a Monthly Financial Statement on the same form and the two statements must be reconciled. If any differences exist between the records of the auditor and the treasurer, they must be identified and immediate steps taken to bring the records of the two offices into agreement.

The statements are prescribed to be placed in a post-binder and shall be carefully preserved as a permanent record. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 6)

COUNTY TREASURER
BROWN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

COUNTY TREASURER EXCISE TAX

The following deficiencies were observed:

1. The Excise Tax bank account balance did not agree to the County Treasurer's Daily Record of Cash and Depositories excise balance at December 31, 2013. The bank was \$112,956 more than reported in the Cash Book.
2. The County Treasurer's Daily Record of Cash and Depositories postings are based on the BMV bank account and not the FTP site.
3. The excise line on the County Treasurer's Daily Record of Cash and Depositories includes excise surtax and wheel tax.
4. Surtax and wheel tax are posted to the County Treasurer's Daily Record of Cash and Depositories and then distributed. They were not distributed monthly.
5. The County Auditor's and County Treasurer's excise tax reconciliation worksheet filed with the Auditor of State's Office for December 2013 contained errors. It reported an unidentified balance of excise of \$520,720. It contained posting errors of \$214,667 that the County Treasurer failed to record. The correct unidentified excise balance reported should have been \$306,053. The County has not balanced the excise tax fund for years.

Indiana Code 5-13-5-1(a) states:

"Every public officer who receives or distributes public funds shall:

- (1) keep a cashbook into which the public officer shall enter daily, by item, all receipts of public funds; and
- (2) balance the cashbook daily to show funds on hand at the close of each day."

At the time of each semiannual tax settlement the county treasurer shall report such tax collections, together with the auto rental excise tax and aircraft license excise tax collections discussed in this section, on County Form No. 49TC, County Treasurer's Certificate of Tax Collections, and the total shown by the auditor's records shall be verified with the treasurer's certificate before distribution is made. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 9)

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 Treasurers of Indiana, Chapter 10)

COUNTY TREASURER
BROWN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 18, 2014, with Mary E. Smith, County Treasurer, and Dave Anderson, County Commissioner, and on August 14, 2014, with David Critser, President of the County Council.

CLERK OF THE CIRCUIT COURT
BROWN COUNTY

CLERK OF THE CIRCUIT COURT
BROWN COUNTY
FEDERAL FINDINGS

FINDING 2013-007 - CASH MANAGEMENT AND REPORTING 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: 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 some of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Cash Management and Reporting. The failure to establish an effective 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 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.

Monthly expense claims submitted for Clerk of the Circuit Court's Expenditures were prepared and certified by the Clerk. There were no segregation of duties in preparing and certifying the monthly reimbursement claim.

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, 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 these controls could enable material misstatements and noncompliance to be 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 establish controls to ensure all grant requirements are complied with.

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

***FINDING 2013-008 - ALLOWABLE COSTS/COST PRINCIPLES
RELATING 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: 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 noncompliance with the grant agreement and the compliance requirements.

The County was required to maintain time and effort reports on all full and part-time employees paid from the grant. There were no reports being maintained by the Prosecutor's Office, the Clerk's Office or for salaries reimbursed to the Cumulative Capital Development fund to fulfill this requirement.

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 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 establish controls and procedures to maintain time and effort reports as required by the program.

Clerk of the Brown Circuit Court
88th Judicial Circuit

Beth A. Mulry
Courthouse
20 E. Main Street
PO Box 85
Nashville, IN 47448
Phone - (812) 988-5510
Fax - (812) 988-5562

CORRECTIVE ACTION PLAN

FINDING 2013-007

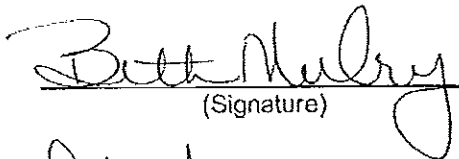
Contact Person Responsible for Corrective Action: Beth Mulry
Contact Phone Number: 812-988-510


Description of Corrective Action Plan:

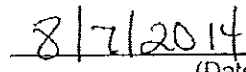
Clerk has contracted with Maximus to prepare monthly expense reporting claims. Clerk will certify the reports and submit to the State. Incentive Expenditure Reports will be prepared by one individual and reviewed and certified by a different person.

Clerk notes that the required online reporting tool created by the State asks if you are both preparing and certifying a report. This practice is allowed on that tool. This office will no longer have one person be both preparer and certifier on these reports. That practice has ceased.

Anticipated Completion Date: August 1, 2014


(Signature)


(Title)


(Date)

Clerk of the Brown Circuit Court
88th Judicial Circuit

Beth A. Mulry
Courthouse
20 E. Main Street
PO Box 85
Nashville, IN 47448
Phone - (812) 988-5510
Fax - (812) 988-5562

CORRECTIVE ACTION PLAN

FINDING 2013-008

Contact Person Responsible for Corrective Action: Beth Mulry
Contact Phone Number: 812-988-510

Description of Corrective Action Plan:

Clerk has contracted with Maximus to prepare monthly expense reporting claims. Maximus will utilize the Record of Monthly Time, or another appropriate form, to document each employee's IV-D time. These forms will be signed by each employee prior to report submission.

Anticipated Completion Date: September 1, 2014

Beth Mulry
(Signature)

Clerk
(Title)

8/7/2014
(Date)

CLERK OF THE CIRCUIT COURT
BROWN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 18, 2014, with Beth A. Mulry, Clerk of the Circuit Court.

COUNTY PROSECUTOR
BROWN COUNTY

COUNTY PROSECUTOR
BROWN COUNTY
FEDERAL FINDING

***FINDING 2013-008 - ALLOWABLE COSTS/COST PRINCIPLES
RELATING 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: 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 noncompliance with the grant agreement and the compliance requirements.

The County was required to maintain time and effort reports on all full and part-time employees paid from the grant. There were no reports being maintained by the Prosecutor's Office, the Clerk's Office or for salaries reimbursed to the Cumulative Capital Development fund to fulfill this requirement.

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 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 establish controls and procedures to maintain time and effort reports as required by the program.

Office of the Prosecuting Attorney

James R. Oliver

Prosecuting Attorney

88th Judicial Circuit

Child Support Division

P.O. Box 1008

Old School Way

Nashville, Indiana 47448

(812) 988-5470

James R. Oliver
Prosecuting Attorney

Danetta J. Dorsett
Title IV-D Administrator

CORRECTIVE ACTION PLAN

FINDING 2013-008

Contact Person Responsible for Corrective Action: James Oliver

Contact Phone Number: 812-988-5470

Description of Corrective Action Plan:

We have implemented timesheets that certify the personal services claimed were paid for jobs performances as IV-D employees. I also certify that the expenditures are in accordance with federal, state and county laws, regulations and policies pertaining to the Title IV-D program. Pay period starting August 4th, 2014, will be the first approved timesheet. Each employee will sign to certify that all personal services claimed on the monthly expenditure reports from January 1, thru August 3rd were for IV-D duties only.

Please see attachments:

New timesheets

Certification for time period prior to August 4th, 2014.

Anticipated Completion Date:

August 13, 2014



(Signature)

Prosecutor

(Title)

Office of the Prosecuting Attorney

James R. Oliver
Prosecuting Attorney
88th Judicial Circuit
Child Support Division

James R. Oliver
Prosecuting Attorney

P.O. Box 1008
Old School Way
Nashville, Indiana 47448
(812) 988-5470

Danetta J. Dorsett
Title IV-D Administrator

CORRECTIVE ACTION PLAN

FINDING 2013-008

Contact Person Responsible for Corrective Action: James Oliver
Contact Phone Number: 812-988-5470

Description of Corrective Action Plan:

All IV-D employees will sign a timesheet that has been approved by Michael Browning, of State Board of Accounts. Pay period starting August 4th, 2014, will be the first approved timesheet. Each employee will sign to certify that all personal services claimed on the monthly expenditure reports from January 1, thru August 3rd, were for IV-D duties only.

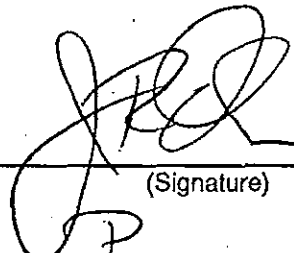
Please see attachments:

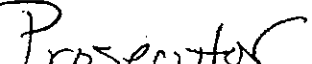
New timesheets

Certification for time period prior to August 4th, 2014.

Anticipated Completion Date:

August 12, 2014



(Signature)


(Title)

COUNTY PROSECUTOR
BROWN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 18, 2014, with James R. Oliver, County Prosecutor.

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COUNTY SHERIFF
BROWN COUNTY

COUNTY SHERIFF
BROWN COUNTY
AUDIT RESULT AND COMMENT

COMMISSARY FUND

The County Sheriff incurred attorney and other related fees in 2014, for the review of a deputy by the County Merit Board. Total fees as on October 9, 2014, were \$37,020 with \$19,427 being paid from the Jail Commissary fund leaving an unpaid balance of \$17,593.

The County Sheriff received a legal opinion stating Indiana Code 36-5-10-21(d)(3) allows these fees to be paid from the Commissary Fund. We take the audit position that the payments to the Attorney were for legal representation of the County Sheriff in the disciplinary matter and not for "special training in law enforcement for employees of the sheriff's department." The County Sheriff is required to obtain approval from the county fiscal body for payment of these fees, per Indiana Code 36-8-10-21(9).

Indiana Code 36-8-10-21 states:

"Application to certain counties; jail commissary fund; disposition of money from commissary sales; record of receipts and disbursements Sec. 21

(a) This section applies to any county that has a jail commissary that sells merchandise to inmates.

(b) A jail commissary fund is established, referred to in this section as 'the fund'. The fund is separate from the general fund, and money in the fund does not revert to the general fund.

(c) The sheriff, or the sheriff's designee, shall deposit all money from commissary sales into the fund, which the sheriff or the sheriff's designee shall keep in a depository designated under IC 5-13-8.

(d) The sheriff, or the sheriff's designee, at the sheriff's or the sheriff's designee's discretion and without appropriation by the county fiscal body, may disburse money from the fund for:

- (1) merchandise for resale to inmates through the commissary;
- (2) expenses of operating the commissary, including, but not limited to, facilities and personnel;
- (3) special training in law enforcement for employees of the sheriff's department;
- (4) equipment installed in the county jail;

COUNTY SHERIFF
BROWN COUNTY
AUDIT RESULT AND COMMENT
(Continued)

- (5) equipment, including vehicles and computers, computer software, communication devices, office machinery and furnishings, cameras and photographic equipment, animals, animal training, holding and feeding equipment and supplies, or attire used by an employee of the sheriff's department in the course of the employee's official duties;
- (6) an activity provided to maintain order and discipline among the inmates of the county jail;
- (7) an activity or program of the sheriff's department intended to reduce or prevent occurrences of criminal activity, including the following:
 - (A) Substance abuse.
 - (B) Child abuse.
 - (C) Domestic violence.
 - (D) Drinking and driving.
 - (E) Juvenile delinquency;
- (8) expenses related to the establishment, operation, or maintenance of the sex and violent offender registry web site under IC 36-2-13-5.5; or
- (9) any other purpose that benefits the sheriff's department that is mutually agreed upon by the county fiscal body and the county sheriff.

Money disbursed from the fund under this subsection must be supplemental or in addition to, rather than a replacement for, regular appropriations made to carry out the purposes listed in subdivisions (1) through (8).

(e) The sheriff shall maintain a record of the fund's receipts and disbursements. The state board of accounts shall prescribe the form for this record. The sheriff shall semiannually provide a copy of this record of receipts and disbursements to the county fiscal body. The semiannual reports are due on July 1 and December 31 of each year."

January 23, 2015

Lisa David
State Board of Accounts
302 W. Washington St., Room E418
Indianapolis, IN 46204-2765

RE: *Official Response to January 15, 2015 Conference Audit Results and
Comments*

Dear Ms. David:

This letter and the attachments provide the State Board of Accounts with the position statement and my official response to the Indiana State Board of Accounts Audit Results and Comments. The Audit Results and Comments were received by me on or about January 16, 2015.

A portion of the State Board of Accounts' findings claims: "We take the audit positions that the payments to the attorney were for legal representation of the sheriff in the disciplinary matter and not for 'special training in law enforcement for employees of the sheriff's department.'"

The event involving the necessary expenditure of funds, took place in a politically charged environment that placed me in a precarious position with regard to what needed to be done to protect Brown County, Indiana from any possible future law suits. I was working with a Merit Board that had never heard disciplinary charges against a Brown County Deputy, since its inception and had never attended the Merit Board training offered by the ISA in October of 2014. Thus, I was charged with not only disciplining this Deputy, but also educating the other deputies and the Merit Board regarding the disciplinary process and the rights of the Deputies. I was also dealing with a Merit Board that not only did not attend the Merit Board training seminar but failed to understand the hearing process and the possible ramifications of the individual deputy's actions upon a civilian and the deputy's refusal to follow my direct orders.

I knew that if I was going to protect the Department from liability, I was going to have to hire an attorney with experience in Merit Board hearings. I know the ramifications to the County and the Department for failure to act on citizen complaints.

A. Howard Williams, Esq., is an attorney that serves as "legal deputy" for eighty-five (85) county sheriffs in Indiana. I sought the expertise of Mr. Williams and Mr. Williams directed me to bring charges against the deputy before the Merit Board because failure to do so would place the Brown County Sheriff's Office and Brown County in a precarious civil liability situation. I sought the legal services of Peter Campbell King of the law firm of Cline, King & King, P.C., to present the charges to the Merit Board because of his expertise and knowledge in the area of law enforcement discipline.

As to whether the whole matter was "frivolous", Mr. Williams answers that issue on page two (2) of his September 3, 2014 letter to the Indiana State Board of Accounts marked here as Exhibit A. Mr. Williams states that he advises all Sheriffs that when excessive force allegations are brought to their attention, the allegations must be addressed and addressed as soon as possible after being alleged. Mr. Williams, who has years of experience with excessive force matters, and claims in his September 3, 2014 letter that Sheriff Followell acted appropriately by bringing charges to the Merit Board. In light of recent national scrutiny of law enforcement being accused of excessive force, failure to have a documented history of investigating excessive force allegations can be detrimental to any Department.

The charged deputy was found guilty of two (2) counts of misconduct for failing to follow my direct order to take a lie detector test during an internal investigation. Pursuant to Mr. Williams' experience in these matters, those two guilty verdicts are more than enough to terminate a deputy in other parts of the State of Indiana. The charges stood and had there been an experienced Merit Board hearing the charges, the punishment would have more than likely been more consistent with the guilty of the verdicts. Again, no one knows if the politically charged environment played a part in the sanctions that the convicted deputy received from the Merit Board. Mr. Williams has his opinion on that matter and states in his September 3, 2014 letter on page four (4) in the final paragraph, "Politics can be messy business and politics as a 'blood sport' is alive and well in Brown County." Mr. Williams' letter in the same paragraph on page four (4) also states, "Each county Sheriff holds a public trust to perform his duties in good faith and with due diligence regardless of whether or not it is politically expedient for him to do so at a particular moment in time." Instead of folding to the political pressure, I pursued what was best for Brown County and the Department.

Mr. Williams has advised many Sheriffs throughout the State of Indiana that Merit Board hearings are a valuable training exercise as most all deputies attend the proceedings. Mr. Williams states in his September 3, 2014 letter to Tammy White on page 4, "Given the clear training purpose of the disciplinary process, it is appropriate that funds associated with this

disciplinary proceeding could be paid out of commissary funds pursuant to Indiana law.” A copy of that letter is attached hereto and made a part hereof marked as Exhibit A.

On October 8, 2014, Mr. Williams wrote a second letter to the Indiana State Board of Accounts addressed to Tammy White, wherein he stated four (4) things that he believed that supplemented his comments in his September 3, 2014 attached as an exhibit to this letter:

1. It is my legal opinion the proceedings before the Brown County Merit Board were a specialized training event. The enforcement of discipline via the Merit Board hearing process is the essence of required training for law enforcement personnel.
2. It is my legal opinion that the expenses attendant thereto are properly paid from the commissary account pursuant to IC 36-8-10-21(d)(3).
3. I so advised Sheriff Followell prior to the commencement of the Merit Board proceedings that it would be appropriate to pay the attendant costs pursuant to IC 36-8-10-21(d)(3).
4. The payment of such expenses from the commissary account pursuant to IC 36-8-10-21(d)(3) has been customary for the sheriffs throughout my many years of experience in such matters.

See October 8, 2014 letter from Mr. Williams attached hereto and made a part hereof marked as Exhibit B.

After consulting with Mr. Williams, I was directed to contact Brown County's county attorney who directed me to Dr. Mike Thompson for advice as to whether to secure counsel. In an email from Dr. Thompson, he instructed me that all contact with the attorney was to go through him. If I would have contacted Dr. Thompson, there would have been no attorney-client privilege and anything discussed could be publically disseminated. I reached out to the Indiana State Board of Accounts for advice and was told that the Indiana State Board of Accounts could not provide legal advice.

I acted upon the direction of Mr. Williams who stated that I was acting within Indiana law when I utilized the commissary fund to pay the attorney fees/expenses with regard to the Merit Board

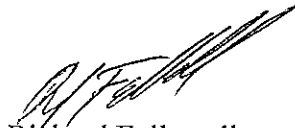
hearing that is the subject matter of this inquiry. I also attempted to contact the Indiana State Board of Accounts and the Brown County Attorney to seek guidance. Those requests for guidance were not answered in a helpful manner.

Given all of this information, I did nothing to warrant the audit results and comments received from the Indiana State Board of Accounts and the determination that "We take the audit positions that the payments to the attorney were for legal representation of the sheriff in the disciplinary matter and not for 'special training in law enforcement for employees of the sheriff's department.'" I request that this finding be removed as unfounded. I have no knowledge as to how you have calculated that there is an unpaid balance of Seventeen Thousand Five Hundred Ninety-three Dollars (\$17,593.00). This is, in fact, not true. Brown County will not be responsible for any more attorney fees. I am not responsible for any more attorney fees.

If you have any questions concerning this letter or the enclosed materials or require any additional information, please advise me.

Thank you for your continued cooperation and assistance.

Sincerely,

A handwritten signature in dark ink, appearing to read "R. Followell", with a stylized flourish extending from the end.

Richard Followell

Enclosures

A. Howard Williams

Legal Deputy - Attorney #1058-71

P.O. Box 2286

South Bend, IN 46680-2286

Voice: (574) 233-9595

Fax: (317) 536-3917

E-Mail ahw101us@pobox.com



September 3, 2014

Ms. Tammy White
Indiana State Board of Accounts
302 W. Washington Street, Room E418
Indianapolis, IN 46204

RE: Brown County Sheriff's Office

Dear Ms. White:

I recently received a letter dated July 10, 2014 purportedly written by a David Critser, President of the Brown County Council, with regard to a Brown County Merit Board hearing that occurred on April 9, 2014.

I have served as the Legal Deputy for the Brown County Sheriff since 1999. In the course of these duties I have recommended to the Sheriff that rules and regulations governing the operation of the Sheriff's Office must be enforced to avoid unnecessary exposure to civil liability pursuant to 42 USC §1983.

I have personal ongoing knowledge of the events which Mr. Critser seeks to question in his letter to your office.

There was an allegation of excessive force against a deputy while employed off duty and in uniform during a concert. The allegations were investigated and I personally reviewed 50+ pages of reports. The allegations were supported by several individual civilian witnesses and the nature of the allegations gave me serious concern regarding the demonstrated lack of discipline and alleged degree of force utilized by the deputy.

I further advised Sheriff Followell these allegations should be brought to the attention of the Merit Board so a full hearing could be conducted to determine the truth of the matter. Doing anything less than a full examination of issue would leave the Sheriff and the county taxpayers exposed to potential civil liability.

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A very contentious proceeding followed caused for the most part, in my opinion, by a failure of the Merit Board to attend the recent Merit Board Training Seminar held in October of 2014 in nearby Indianapolis. Thus the Merit Board members were blind sided by a failure to understand the conduct of the proceedings.

The purpose of this letter is not to criticize the members of the Merit Board individually, but if the preceding administrations had updated their merit rules and standard operating procedures much of the confusion could have been avoided. My files contain suggested draft copies of updated rules and procedures sent by my office that were never put into effect and, consequently, the Merit Board endured training by fire and were unprepared at the time of the hearing.

My advice to all sheriffs faced with allegations of excessive force is to fully investigate and determine the truth. Excessive force cannot be tolerated and is an essential subject of my ongoing training seminars for the Indiana sheriffs.

Pursuant to IC 36-8-10-11, *et. seq.*, merit deputies may not be disciplined by a sheriff beyond a fifteen (15) day suspension, demotions and/or termination without charges being proffered by the sheriff of the county and a hearing with all the due process requirements accorded by the Merit Board.

Based upon my 35+ years of service in representing many sheriffs throughout the state, the process of supervising, monitoring and disciplining deputies in the areas of excessive force and the other areas of misconduct is essential to the overall good order and discipline of a department as well as preventing the imposition of liability through 42 USC § 1983 liability claims against the county, the office of the sheriff, or deputies involved.

I have long advised all sheriffs that I represent that any claims alleging excessive force must be taken seriously and an adequate investigation commenced to ensure that the sheriff and/or the county do not eventually become liable under federal law. As previously referenced, I have reviewed the information provided in the Deputy William Southerland (hereinafter designated "Deputy Southerland") matter, and I am completely convinced that Sheriff Followell took the appropriate steps. Sheriff Followell not only took appropriate steps, but the only steps that he could have taken after receiving a signed citizens complaint under oath relating to the activities of Deputy Southerland on the evening of December 31, 2013.

I enclose for your review a copy of those complaints/statements. As a result, Sheriff Followell instituted an internal investigation which is important so that all information is established early with regard to the activities of any merit deputies in a situation such as Deputy Southerland found himself. Inherent in the investigation process is the importance of the sheriff having counsel so that proper charging papers are filed with the Merit Board if, in fact, the facts lead to such an occurrence. I have reviewed the charging papers and the evidence in the matter involving Deputy Southerland and find that Sheriff Followell acted in all respects within the law as well as within the requirements of the

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management and supervision of the department for which he was elected to serve.

The allegations of the letter addressed to you involving Sheriff Followell hiring a lawyer to represent the Sheriff without consent of the county governing board and the county council does not have merit under Indiana law. As you know, the Office of Sheriff is a separate constitutional office and it is important, in fact imperative, that a Sheriff have separate legal counsel from that of the commissioners so that no conflicts of interest develop and/or the appearance of conflict that may develop as a sheriff reviews and carries out the functions of his office. To that end IC 36-8-10-10.6(e) was established many years ago and provides that each sheriff may appoint a "Legal Deputy" and I serve in that capacity throughout the State of Indiana in 85 counties.

The claim that there was no benefit to the county or the sheriff's department as a whole in the hiring of a lawyer by the Sheriff is without merit. It is my understanding that the Brown County Sheriff's Merit Board had never in its history participated in or conducted a disciplinary hearing before April 9, 2014. This fact alone is rather unusual. However, it is important that the due process rights of the deputy involved as well as the sheriff be recognized and followed pursuant to statute. The process of a disciplinary hearing is not a simple one and there are a select number of lawyers throughout the state who have experience in prosecuting disciplinary hearings such as that which occurred on April 9, 2014. It is imperative, and I have so advised sheriffs throughout the State of Indiana, that they have experienced counsel serving them in this disciplinary process. The failure to do so potentially leaves the county and the Merit Board at risk of being sued for constitutional issues involving due process rights as well as other issues.

Therefore, it was important that Sheriff Followell, once he determined that charges should be proffered against the deputy, seek and have at his disposal competent counsel to represent him.

I further understand from the letter that there is an allegation that this entire matter was likely unnecessary and the issues could be easily handled within the department. These are mere unfounded conclusions. I think it is important for you to know, and I enclose for your review, a finding by the Merit Board that this particular deputy was found guilty of two (2) counts of misconduct. See enclosed Order, page 4, Charge One; page 7, Charge Seven; page 10, Finding of Guilty. Those counts of misconduct reveal the deputy was insubordinate in failing and refusing to take a lie detector examination during an internal investigation.

These allegations alone, in many other parts of the state, if proven as they were in this case, would lead to the immediate termination of the deputy. It has been my experience that an office holder and/or a sheriff must have complete and truthful responses to any inquiries during an internal investigation. Otherwise, the entire concept of command/control breaks down and the county is further exposed to the potential of significant liability through federal law (42 USC §1983) as well as other state law claims.

Ms. Tammy White

September 3, 2014

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Therefore, it is improper and quite frankly untrue to suggest that the Merit Board took only thirty (30) seconds to make a decision at this hearing with the implication that the deputy was found innocent of misconduct when, in fact, this deputy was found guilty of two (2) counts of misconduct that would have been grounds for immediate termination in other parts of this state with more experienced merit boards.

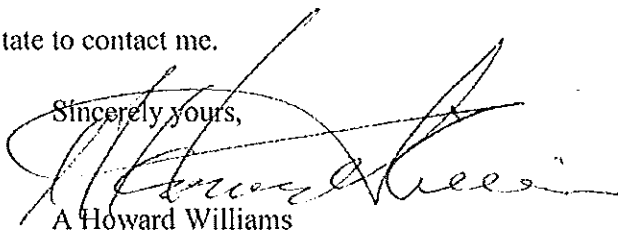
Finally, it has been my advice to the Sheriff, as well as that of many sheriffs throughout the state, that disciplinary hearings are, in reality, a valuable training exercise. It provides the other members of the department with not only knowledge of the process but also leads to the betterment of the department through merit deputies understanding the process of discipline and the consequences of misconduct/discipline. This could not be more true in Brown County, especially in light of the fact the Brown County Sheriff's Merit Board had never before in its history conducted a disciplinary hearing such as what occurred with Deputy Southerland. Given the clear training purpose of the disciplinary process, it is appropriate that funds associated with this disciplinary proceeding be paid out of commissary funds pursuant to Indiana law.

It is my opinion that the letter previously directed to your attention was produced for political purposes. It is currently the election season and the game of trick or treat is well established in Brown County. I am firm in my conviction that Sheriff Followell followed the only path available to him to maintain the good order and command structure of the Brown County Sheriff's Office.

Politics can be messy business and politics as a "blood sport" is alive and well in Brown County. The taxpayers and citizens of Brown County will cast their votes in November; however, in the meanwhile Sheriff Followell is the custodian of the public safety for his community. Each county sheriff holds a public trust to perform his duties in good faith and with due diligence regardless of whether or not it is politically expedient for him to do so at a particular moment in time.

If you wish to discuss, please do not hesitate to contact me.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "A. Howard Williams", written over a horizontal line.

A Howard Williams
Legal Deputy
Brown County Sheriff's Office

A. Howard Williams

Legal Deputy - Attorney #1058-71
P.O. Box 2286
South Bend, IN 46680-2286
Voice: (574) 233-9595
Fax: (317) 536-3917
E-Mail ahw101us@pobox.com



October 8, 2014

Ms. Tammy White
Indiana State Board of Accounts
302 W. Washington Street, Room E418
Indianapolis, IN 46204

RE: Brown County Sheriff's Office

Dear Ms. White:

Please accept this correspondence as supplemental to my letter of September 3, 2014 regarding the Brown County Sheriff's Office.

1. It is my legal opinion the proceedings before the Brown County Merit Board were a specialized training event. The enforcement of discipline via the Merit Board hearing process is the essence of required training for law enforcement personnel.
2. It is my legal opinion that the expenses attendant thereto are properly paid from the commissary account pursuant to IC 36-8-10-21(d)(3).
3. I so advised Sheriff Followell prior to the commencement of the Merit Board proceedings that it would be appropriate to pay the attendant costs pursuant to IC 36-8-10-21(d)(3).
4. The payment of such expenses from the commissary account pursuant to IC 36-8-10-21(d)(3) has been customary for the sheriffs throughout my many years of experience in such matters.

If you wish to discuss matter further, please do not hesitate to contact me.

Sincerely yours,

A handwritten signature in black ink, appearing to read "A. Howard Williams".

A Howard Williams
Legal Deputy
ILEA Master Instructor

COUNTY SHERIFF
BROWN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on January 15, 2015, with Rick Followell, former County Sheriff, and on January 20, 2015, with and Dave Anderson, County Commissioner; David Critser, President of the County Council; and Scott Southerland, County Sheriff.