

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

FLOYD COUNTY, INDIANA

January 1, 2014 to December 31, 2014



**FILED**  
06/09/2016



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Scott L. Clark	05-06-13 to 12-31-18
County Treasurer	Linda L. Berger	01-01-13 to 12-31-16
Clerk of the Circuit Court	Christina M. Eurton	08-01-13 to 12-31-18
County Sheriff	Darrell Mills	01-01-11 to 12-31-14
	Frank Loop	01-01-15 to 12-31-18
County Recorder	Lois N. Endris	01-01-11 to 12-31-18
President of the Board of County Commissioners	Mark Seabrook Steve A. Bush	01-01-14 to 12-31-15 01-01-16 to 12-31-16
President of the County Council	James Wathen Matt Oakley Brad Striegel	01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
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TO: THE OFFICIALS OF FLOYD COUNTY, INDIANA

This report is supplemental to our audit report of Floyd County (County), for the year ended December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the County, which provides our opinions on the County's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

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

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

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

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

March 16, 2016

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COUNTY AUDITOR  
FLOYD COUNTY

COUNTY AUDITOR  
FLOYD COUNTY  
FEDERAL FINDINGS

**FINDING 2014-001 - INTERNAL CONTROLS AND COMPLIANCE  
OVER FINANCIAL TRANSACTIONS AND REPORTING**

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

*Lack of Segregation of Duties*

The County departments of the County Sheriff and Clerk of the Circuit Court have not separated incompatible activities related to receipts, disbursements, and cash and investments. In each department one individual is responsible for performing the reconciliation of the depository account balance with the record balance, preparing and making bank deposits, reconciling daily cash collections, recording receipt and disbursements transactions in the ledger, and preparing the supplemental Annual Financial Report. Control activities should be in place to reduce the risks of errors in financial reporting. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

*Annual Financial Report*

Evidence was not presented to ensure that the financial information input into the County's Annual Financial Report within the Gateway system, which is used to generate the County's financial statement, was properly reviewed and verified to the County's financial records and the records of the County's outside offices to determine that no material errors occurred. As a result, receipts were overstated by \$71,435,563; disbursements were overstated by \$71,362,986; and the beginning cash and investments balance was understated by \$49,687. The material amount of the overstatements in receipts and disbursements is due to the incorrect reporting of the Treasurer's After Settlement Collections. Audit adjustments were proposed, approved by the County Auditor, and made to the County's financial statement presented in this report.

*Cash Reconcilements*

Depository reconciliations of the fund balances to the bank account balances in the County Treasurer's Office were conducted; however, the reconciliations contained errors and did not balance. No controls were in place to review and verify the accuracy of the reconcilements. A comparison of the Treasurer's Daily Balance of Cash and Depositories, Form No. 47 (Cash Book), to the bank accounts on December 31, 2014, indicated a cash long of \$185,701.

Without the proper system of internal controls in place that operates effectively, material misstatements of the financial statement occurred and remained 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 IC 5-14-3.8-7."

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."

COUNTY AUDITOR  
FLOYD COUNTY  
FEDERAL FINDINGS  
(Continued)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 10)

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 Counties of Indiana, Chapter 1; Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Court of Indiana, Chapter 13; Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14; Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 10)

***FINDING 2014-002 - PREPARATION OF 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 Auditor's Chief Deputy prepares the SEFA and no evidence was presented that there was any oversight, review, approval, or other compensating control to verify the accuracy of the information and amounts. 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 occur and remain undetected.

During the audit of the SEFA, we noted the following errors:

1. Four federal grants totaling \$60,254 in expenditures were not reported.
2. The expenditures were under reported on eight grants and over reported on six grants resulting in a net over reporting of \$138,985 for those grants.
3. Two state grants were erroneously reported as federal grant programs.

Audit adjustments were proposed, accepted by the County, and made to the SEFA presented in this report.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

COUNTY AUDITOR  
FLOYD 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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide 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."



**Scott L. Clark, Auditor of Floyd County**

January 25, 2016

Auditee Contact Person: Scott L. Clark

Title of Contact Person: Auditor

Phone no.: 812-948-5435

Section II - Federal Award Findings and Questioned Costs

Corrective Action Plan

2014-001

The Auditor will make a concerted effort to ensure that the information submitted by the Treasurer's office is reviewed and verified to the County's financial records to ensure an accurate and timely report, with no material errors.

A handwritten signature in black ink, appearing to read "S.L. Clark", is written over a horizontal line.

Scott L. Clark, Auditor



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**Scott L. Clark, Auditor of Floyd County**

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March 16, 2016

Auditee Contact Person : Scott L. Clark  
Title of Contacted Person: Floyd County Auditor  
Phone no. : 812-948-5435

Section II – Federal Award Findings and Questioned Costs

Corrective Action Plan

Finding 2014-002

The County Auditor is taking immediate action to implement adequate internal controls over the Schedule of Expenditures of Federal Awards (SEFA).

Since all grants must be signed by the County Commissioners, the auditor will review all Commissioner meeting minutes on a monthly basis and obtain copies of all approved grants. The auditor will forward to the chief deputy, who prepares a separate schedule of Federal Awards. At the end of the year, all federal awards and grants are submitted to Gateway on an annual basis. The auditor approves the schedule prior to submitting to Gateway.

Further, all grant revenue listed on the schedule will agree to the financial statements for the county.

This will ensure the accuracy for future years.

A handwritten signature in blue ink, appearing to read "S. Clark", is written over a horizontal line.

Scott L. Clark, Auditor

COUNTY AUDITOR  
FLOYD COUNTY  
AUDIT RESULTS AND COMMENTS

**COUNTY TREASURER AND COUNTY AUDITOR EXCISE TAX  
RECONCILIATION AT SETTLEMENT WORKSHEET**

Per the County Treasurer and County Auditor Excise Tax Reconciliation at Settlement Worksheet the reconciled difference was \$591,476.70. As recalculated, due to errors identified during the audit, the actual reconciled difference was (\$287,321.56). This was the result of recording an incorrect amount for the County Treasurer Certified Excise Tax and also accounting for the excise tax not distributed from prior years on the reconciliation worksheet incorrectly.

County Form No. 24 F, County Auditor's Record of Annual License Excise Tax, has been designed to account for the amounts received, the amounts distributed at each semiannual tax settlement, and the balance of license excise tax on hand.

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)

**ANNUAL FINANCIAL REPORT**

The Annual Financial Report for 2014 was not filed electronically until April 10, 2015.

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."

**APPROPRIATIONS**

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

<u>Fund</u>	<u>Excess Amount Expended</u>
County Highway	\$ 69,706

The County Auditor provided evidence of \$50,000 in additional appropriations being approved by the County Council, but no evidence was provided that these additional appropriations were approved by the Department of Local Government Finance.

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."

COUNTY AUDITOR  
FLOYD COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on March 16, 2016, with Scott L. Clark, County Auditor; Steve A. Bush, President of the Board of County Commissioners; and Brad Striegel, President of the County Council.

COUNTY TREASURER  
FLOYD COUNTY

COUNTY TREASURER  
FLOYD COUNTY  
FEDERAL FINDING

***FINDING 2014-001 - INTERNAL CONTROLS AND COMPLIANCE  
OVER FINANCIAL TRANSACTIONS AND REPORTING***

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The County departments of the County Sheriff and Clerk of the Circuit Court have not separated incompatible activities related to receipts, disbursements, and cash and investments. In each department one individual is responsible for performing the reconciliation of the depository account balance with the record balance, preparing and making bank deposits, reconciling daily cash collections, recording receipt and disbursements transactions in the ledger, and preparing the supplemental Annual Financial Report. Control activities should be in place to reduce the risks of errors in financial reporting. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

*Annual Financial Report*

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COUNTY TREASURER  
FLOYD COUNTY  
FEDERAL FINDING  
(Continued)

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(812) 948-5477

**Linda L. Berger**, Treasurer of Floyd County

Room 113, City-County Bldg. • 311 Hauss Square • New Albany, IN 47150  
E-Mail: lberger@floydcounty.in.gov

CORRECTIVE ACTION PLAN

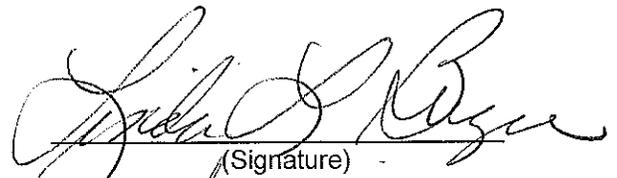
**FINDING 2014-001**

Contact Person Responsible for Corrective Action: Linda L. Berger  
Contact Phone Number: 812-948-5477

Description of Corrective Action Plan:

As Treasurer, I am now comparing Cash Books and Bank Statements at the end of each month. This was formerly done by my 1<sup>st</sup> Deputy, but she also did the Cash Books. As Treasurer, I have taken the responsibility of verification monthly.

Anticipated Completion Date : This was put into place during audit of 2014 records.

  
(Signature)

Treasurer  
(Title)

1-7-16  
(Date)

COUNTY TREASURER  
FLOYD COUNTY  
AUDIT RESULTS AND COMMENTS

**COUNTY TREASURER AND COUNTY AUDITOR EXCISE  
TAX RECONCILIATION AT SETTLEMENT WORKSHEET**

Per the County Treasurer and County Auditor Excise Tax Reconciliation at Settlement Worksheet the reconciled difference was \$591,476.70. As recalculated, due to errors identified during the audit, the actual reconciled difference was (\$287,321.56). This was the result of recording an incorrect amount for the County Treasurer Certified Excise Tax and also accounting for the excise tax not distributed from prior years on the reconciliation worksheet incorrectly.

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 Treasurers of Indiana, Chapter 6)

Indiana Code 6-1.1-27-2 states:

"At each semi-annual meeting required under section 1 of this chapter, the county treasurer shall make a settlement with the county auditor for the amount of taxes and special assessments which the county treasurer has collected. At each semi-annual meeting, the county treasurer shall also certify to the county auditor, under oath and on the form prescribed by the state board of accounts, the correctness of:

- (1) the credits for cash collected for each taxing unit appearing on the tax duplicate; and
- (2) any other amounts collected by the county treasurer as required by law."

**COUNTY TREASURER'S RECONCILIATION OF THE BMV BANK ACCOUNT**

The Bureau of Motor Vehicles (BMV) bank account statement balance was not reconciled to the BMV account balance per the County Treasurer's Cashbook as of December 31, 2014. The adjusted balance of the bank account was \$166,701 more than the County Treasurer's cashbook balance of the BMV account.

Indiana Code 5-13-5-1 states:

"Cashbook; duties of public officers; public inspection Sec.1.

- (a) 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.
- (b) The cashbook is a public record and is open to public inspection in accordance with IC 5-14-3."

COUNTY TREASURER  
FLOYD COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on March 16, 2016, with Linda L. Berger, County Treasurer.

The contents of this report were discussed on March 16, 2016, with Scott L. Clark, County Auditor; Steve A. Bush, President of the Board of County Commissioners; and Brad Striegel, President of the County Council.

COUNTY SHERIFF  
FLOYD COUNTY

COUNTY SHERIFF  
FLOYD COUNTY  
FEDERAL FINDINGS

**FINDING 2014-001 - INTERNAL CONTROLS AND COMPLIANCE  
OVER FINANCIAL TRANSACTIONS AND REPORTING**

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

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COUNTY SHERIFF  
FLOYD COUNTY  
FEDERAL FINDINGS  
(Continued)

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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 Counties of Indiana, Chapter 1; Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Court of Indiana, Chapter 13; Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14; Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 10)

***FINDING 2014-003 - REPORTING***

Federal Agency: Department of Justice  
Federal Program: Equitable Sharing Program  
CFDA Number: 16.922  
Federal Award Number and Year (or Other Identifying Number): 2014

Management of the County has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements pertaining to Reporting.

The Federal Equitable Sharing Agreement and Certification Form (Report), required to be filed annually by grantees, included the signatures of the County Sheriff and President of the County Commissioners certifying the Report as accurate. The Report was prepared from financial records maintained at the County Sheriff's Department and had not been reconciled to the fund balance within the Sheriff Asset Forfeiture fund per the County Auditor's records. As a result, the reported balance on December 31, 2014, was \$29,060 greater than the County's Sheriff Asset Forfeiture fund balance per the County Auditor's records. The variance consists of an unidentified prior period difference of \$9,140; three deposits received from the U.S. Marshalls Service during the months of June, July, and December 2014, totaling \$19,470, which were posted to the County Sheriff's records, but not recorded in the County Auditor's records until January 7, 2015; and a reporting error resulting in an understatement of disbursements in the amount of \$450.

No controls were identified for reconciling the Sheriff's Department records to the fund on the County Auditor's records and correcting errors or for reviewing and verifying the accuracy of required reports.

The failure to establish an effective internal control system places the County at risk of non-compliance with the grant agreement and the compliance requirements. A lack of segregation of duties within the internal control system allowed noncompliance with compliance requirements and could allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

COUNTY SHERIFF  
FLOYD 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 compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

28 CFR 66.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the County.

We recommended that the County's management establish and implement controls, including segregation of duties, related to the grant agreement and compliance requirements pertaining to Reporting.



**FLOYD COUNTY SHERIFF'S DEPARTMENT**  
"The Sheriff shall keep and preserve the peace of his county"

**CORRECTIVE ACTION PLAN**

**FINDING 2014-001**

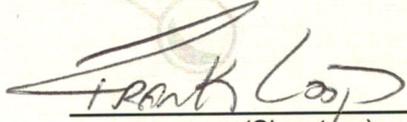
**Contact Person Responsible for Corrective Action:** Sheriff Frank Loop  
**Contact Phone Number:** (812) 948-5400

**Description of Corrective Action Plan:**

The County Sheriff's Department will have a segregation of duties that relates to receipts, disbursements, and cash/investments. For receipts, and disbursements, a second person in the department will sign off on deposits, transactional, and receipt paperwork as well as physical monies that are to be deposited. That person will also initial all paperwork they check and verify. In addition, an additional person will be added to the signature cards of bank accounts controlled by the Floyd County Sheriff's Department. This will ensure no single person has control over the accounts with regards to deposits, disbursements, and transactions.

**Anticipated Completion Date:**

This Corrective Action Plan was completed and placed into service on 1/11/2016.

  
\_\_\_\_\_  
(Signature)

SHERIFF  
\_\_\_\_\_  
(Title)

1-12-16  
\_\_\_\_\_  
(Date)



## **FLOYD COUNTY SHERIFF'S DEPARTMENT**

"The Sheriff shall keep and preserve the peace of his county"

### CORRECTIVE ACTION PLAN

**FINDING 2014-003:**

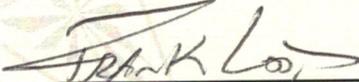
**Contact Person Responsible for Corrective Action:** Sheriff Frank Loop  
**Contact Phone Number:** (812) 948-5400

**Description of Corrective Action Plan:**

The Floyd County Sheriff's Department will work with the Floyd County Auditor's Office to locate any discrepancies between the records maintained by the Floyd County Sheriff's Department and the official records of the Floyd County Auditor's Office. Once those discrepancies are discovered, we will work with the Auditor of Floyd County to make the corrections necessary to bring both records in to reconciliation with each respective agency within Floyd County. For future years, both records will be compared to make sure both offices have the correct information to post accurate amounts for transparency as well as accuracy.

**Anticipated Completion Date:**

This Corrective Action Plan will be in place by 6/30/2016.



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(Signature)

SHERIFF

---

(Title)

1-12-16

---

(Date)

COUNTY SHERIFF  
FLOYD COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on March 16, 2016, with Frank Loop, County Sheriff.

The contents of this report were discussed on March 16, 2016, with Scott L. Clark, County Auditor; Steve A. Bush, President of the Board of County Commissioners; and Brad Striegel, President of the County Council.

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CLERK OF THE CIRCUIT COURT  
FLOYD COUNTY

CLERK OF THE CIRCUIT COURT  
FLOYD COUNTY  
FEDERAL FINDING

***FINDING 2014-001 - INTERNAL CONTROLS AND COMPLIANCE  
OVER FINANCIAL TRANSACTIONS AND REPORTING***

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

*Lack of Segregation of Duties*

The County departments of the County Sheriff and Clerk of the Circuit Court have not separated incompatible activities related to receipts, disbursements, and cash and investments. In each department one individual is responsible for performing the reconciliation of the depository account balance with the record balance, preparing and making bank deposits, reconciling daily cash collections, recording receipt and disbursements transactions in the ledger, and preparing the supplemental Annual Financial Report. Control activities should be in place to reduce the risks of errors in financial reporting. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

*Annual Financial Report*

Evidence was not presented to ensure that the financial information input into the County's Annual Financial Report within the Gateway system, which is used to generate the County's financial statement, was properly reviewed and verified to the County's financial records and the records of the County's outside offices to determine that no material errors occurred. As a result, receipts were overstated by \$71,435,563; disbursements were overstated by \$71,362,986; and the beginning cash and investments balance was understated by \$49,687. The material amount of the overstatements in receipts and disbursements is due to the incorrect reporting of the Treasurer's After Settlement Collections. Audit adjustments were proposed, approved by the County Auditor, and made to the County's financial statement presented in this report.

*Cash Reconcilements*

Depository reconciliations of the fund balances to the bank account balances in the County Treasurer's Office were conducted; however, the reconciliations contained errors and did not balance. No controls were in place to review and verify the accuracy of the reconcilements. A comparison of the Treasurer's Daily Balance of Cash and Depositories, Form No. 47 (Cash Book), to the bank accounts on December 31, 2014, indicated cash long of \$185,701.

Without the proper system of internal controls in place that operates effectively, material misstatements of the financial statement occurred and remained undetected.

CLERK OF THE CIRCUIT COURT  
FLOYD COUNTY  
FEDERAL FINDING  
(Continued)

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."

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 10)

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 Counties of Indiana, Chapter 1; Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Court of Indiana, Chapter 13; Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14; Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 10)

Christy M Eurton, Clerk of the Circuit Court



311 Hauss Square, Room 235, New Albany, IN 47150

812-542-3043  
Fax 812-948-4711

Corrective Action Plan

Finding 2014-001

Contact Person Responsible for Corrective Action: Christy M. Eurton  
Contact Phone Number: 812-542-3043

Description of Corrective Action Plan:

Implement a Review Process of Daily Deposits:  
Bookkeeper balances daily tills and run balance reports. Daily balance reports are printed for each till. Deposit slips and bank deposit receipts are attached to the balance reports. Clerk Eurton will review the reports and deposit receipts, then initial and date reports.

Additionally, a Deputy Clerk will take the daily deposits to the bank. The Bookkeeper will reconcile the daily deposits. Clerk Eurton will review and sign the monthly SBOA Accounts Reconciliation.

Anticipated Completion Date: 10/31/15

Christina M Eurton  
(Signature)

\_\_\_\_\_  
Clerk  
(Title)

1/7/16  
(Date)

CLERK OF THE CIRCUIT COURT  
FLOYD COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on March 16, 2016, with Christina M. Eurtan, Clerk of the Circuit Court.

The contents of this report were discussed on March 16, 2016, with Scott L. Clark, County Auditor; Steve A. Bush, President of the Board of County Commissioners; and Brad Striegel, President of the County Council.

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COUNTY CIRCUIT COURT JUDGE  
FLOYD COUNTY

COUNTY CIRCUIT COURT JUDGE  
FLOYD COUNTY  
FEDERAL FINDING

***FINDING 2014-004 - ALLOWABLE COSTS/COST PRINCIPLES***

Federal Agency: Department of Health and Human Services  
Federal Program: Child Support Enforcement  
CFDA Number: 93.563  
Federal Award Number and Year (or Other Identifying Number): 2014  
Pass-Through Entity: Indiana Department of Child Services

Management of the County has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements pertaining to Allowable Costs/Cost Principles.

The County's IV-D Court reimbursement requests for the Child Support Enforcement Program (IV-D) are required to be submitted on a Monthly Expense Claim For Title IV-D (Monthly Expense Claim). To ensure accurate accountability for Monthly Expense Claims, monthly personnel activity reports for part time IV-D employees are recorded on a Record of Monthly Time form, which distinguishes IV-D hours from total non-IV-D hours. The Record of Monthly Time forms are to be verified by the employee to reflect after-the-fact hours worked.

A third-party contractor conducted a time study of the County's Courts (Circuit, Magistrate, Superior 1 and Superior III) prior to implementing the Court Title IV-D program. The time study identified which court employees worked on IV-D cases and the percentage of time devoted to IV-D activities. Through this methodology, the third-party contractor applied the calculated IV-D percentages to the total IV-D employee payroll each month and the amounts were then included in the Court's Monthly Record of Monthly Time and Monthly Expense Claim for Title IV-D.

No evidence was presented to indicate that the employee reviewed and approved their Record of Monthly Time; therefore, no control could be identified to ensure that all personal services submitted for reimbursement had been incurred and paid prior to requesting reimbursement.

The failure to establish an effective internal control system places the County at risk of non-compliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

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 compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

COUNTY CIRCUIT COURT JUDGE  
FLOYD COUNTY  
FEDERAL FINDING  
(Continued)

OMB Circular A-87, Attachment B, item 8(h), states in part:

"(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. . . .

(5) Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after the fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee.
- (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
  - (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
  - (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
  - (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances."

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the County.

We recommended that the County's management establish and implement controls, including segregation of duties, related to the grant agreement and compliance requirements pertaining to Allowable Costs/Cost Principles.

COUNTY CIRCUIT COURT JUDGE  
FLOYD COUNTY  
FEDERAL FINDING  
(Continued)

*Management's View*

Management is disputing the assertion that there is not an effective internal control system in place and they do not agree that it is necessary for the Court employee or supervisory official to review and approve the Record of Monthly Time for employees paid from Child Support Enforcement funds.

*Response to Management's View*

Although we agree that it is not required that a supervisory official review and approve the Record of Monthly Time, OMB Circular A-87, Attachment B, item 8h(5) does specifically state that the personnel activity reports or equivalent record (Record of Monthly Time) must be signed by the employee. If no control is in place to ensure that the Record of Monthly Time has been signed by each employee, an internal control deficiency is deemed to exist.

**FLOYD CIRCUIT COURT**

*52<sup>ND</sup> Judicial Circuit*

Room 417 City County Building

311 Hauss Square

New Albany, Indiana 47150

Telephone: (812) 948-5455

Fax (812) 948-4735

**J. TERRENCE CODY, JUDGE**

CORRECTIVE ACTION PLAN

Jonathan Wineinger  
Field Examiner  
State Board of Accounts

**FINDING 2014-004**

Contact Person Responsible for Corrective Action:  
Hon. J. Terrence Cody

Contact Phone Number:  
(812) 948-5455

Description of Corrective Action Plan:

Although not agreeing that it is necessary that a Court employee or other supervisory official (Floyd County Judges and Magistrate) must review and approve the Record of Monthly Time to ensure that all personal services submitted for reimbursement had been incurred and paid prior to requesting reimbursement as all Indiana Department of Child Services procedures in the submission of claims are presently being complied with and further disputing there is not an effective internal control system in place, the following corrective action will be taken and initiated: The Judge of the Floyd Circuit Court or one (1) of the Judges of the Floyd Superior Courts or the Floyd County Magistrate will verify that employee time sheets submitted with the monthly claim for reimbursement to the Indiana Department of Child Services are accurate. This process will begin with claims filed on or after January 1, 2016.

*J. Terrence Cody*  
\_\_\_\_\_  
(Signature)

*Judge Floyd Circuit*  
\_\_\_\_\_  
(Title)

*FEBRUARY 11, 2016*  
\_\_\_\_\_  
(Date)

COUNTY CIRCUIT COURT JUDGE  
FLOYD COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on March 16, 2016, with J. Terrence Cody, County Circuit Court Judge.

The contents of this report were discussed on March 16, 2016, with Scott L. Clark, County Auditor; Steve A. Bush, President of the Board of County Commissioners; and Brad Striegel, President of the County Council.