

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ORANGE COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
08/04/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Donna Atchison	01-01-13 to 12-31-16
County Treasurer	Sandy Hill	01-01-13 to 12-31-16
Clerk of the Circuit Court	Beth Jones	01-01-13 to 12-31-16
County Sheriff	Richard W. Dixon Josh Babcock	01-01-11 to 12-31-14 01-01-15 to 12-31-18
County Recorder	Terry Nicholson	01-01-13 to 12-31-16
President of the Board of County Commissioners	Don Brewer	01-01-14 to 12-31-16
President of the County Council	James McDonald Greg Farlow Kermit A. Lamb	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

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TO: THE OFFICIALS OF ORANGE COUNTY, INDIANA

This report is supplemental to our audit report of Orange County (County), for the period from January 1, 2014 to 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/.

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

May 23, 2016

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COUNTY AUDITOR
ORANGE COUNTY

COUNTY AUDITOR
ORANGE COUNTY
FEDERAL FINDINGS

FINDING 2014-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition

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). Material differences were noted in the County-prepared SEFA. The County incorrectly listed or omitted Federal Grantor Agencies, Cluster Titles, Program Titles, Project Titles/Grant Names, Pass-Through Agencies, CFDA Award Numbers, and Other Identifying Numbers from the SEFA. Several federal awards were not reported and several awards were presented that were partially or completely funded through state grants. In total, federal expenditures were overstated on the SEFA \$1,816,446. Audit adjustments were proposed, accepted by the County, and made to the SEFA presented in this report.

Criteria

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

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

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

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

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by 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.

COUNTY AUDITOR
ORANGE COUNTY
FEDERAL FINDINGS
(Continued)

- (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."

Cause

Management had not established a system of internal control that would ensure accurate and complete reporting of federal expenditures on the SEFA.

Effect

Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan, which is part of this report.

FINDING 2014-003 - INTERNAL CONTROLS OVER COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII

Federal Agency: U.S. 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 Numbers and Years (or Other Identifying Numbers): HD-011-010, HD-013-004

Pass-Through Entity: Indiana Housing and Community Development

Condition

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Allowable Costs/ Cost Principles, Period of Availability, and Reporting.

The supporting documentation attached to claims for Federal awards paid to subrecipients for reimbursement of their expenditures included only a summary listing of expenses grouped by classifications such as: Administration, Environmental Review, and Program Delivery. There was no information presented for audit, such as invoices, documenting what the actual expenses incurred by the subrecipient were or when the expenses were actually incurred. The County did not have any policies and procedures implemented to monitor the subrecipient to ensure the reports the subrecipient filed were accurate.

COUNTY AUDITOR
ORANGE COUNTY
FEDERAL FINDINGS
(Continued)

Context

This was a systemic problem within the Community Development Block Grants program. Three claims for reimbursement, representing 100 percent of the federal program disbursements for the Hoosier Uplands project, were issued by the County to pay the funds to the subrecipient. In all three instances, no documentation was provided by the County to indicate that the claims were being reviewed to ensure costs were allowed under the grant, costs were expended during the period of availability, and that the information on the report was accurate. The supporting documentation was requested and obtained from the sub-recipient for audit.

Criteria

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. . . ."

Cause

Management had not developed a system of internal controls that would ensure that the County complied with the compliance requirements listed above.

Effect

The failure to establish an effective internal control system placed the County at risk of noncompliance with the grant agreement and the compliance requirements. A lack of internal controls would have also allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls related to the grant agreement and compliance requirements listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan, which is part of this report.

COUNTY AUDITOR
ORANGE COUNTY
FEDERAL FINDINGS
(Continued)

FINDING 2014-004 - SUBRECIPIENT MONITORING

Federal Agency: U.S. 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 Numbers and Years (or Other Identifying Numbers): HD-011-010, HD-013-004,
A192-14-CF-13-107

Pass-Through Entities: Indiana Housing and Community Development,
Indiana Office of Community and Rural Affairs

Condition

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the Subrecipient Monitoring compliance requirement.

The County simply reimbursed the subrecipient based upon the Claim Receipts submitted by the subrecipients. The County did not have any policies and procedures in place to monitor the subrecipients, and no actual monitoring occurred.

The County did not ensure that their subrecipients, if required to, had obtained the required audits. Nor did the County obtain or review the audit reports, if available, so that they could take appropriate and timely action if required.

The County did not obtain or require their subrecipients to provide them with their DUNS number. In addition, one of the subrecipients, Southeast Volunteer Fire Company, did not obtain a DUNS number.

Context

This is a systemic problem within the County's Community Development Block Grants program, 100 percent of the grant amount was passed through to subrecipients. At no point during the year under audit was there any documentation or evidence to indicate that the County was actively monitoring the subrecipients.

Criteria

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. . . ."

OMB Circular A-133, Subpart D, section .400(d) states in part:

"Pass-through entity responsibilities. A pass-through entity shall perform the following for the Federal awards it makes: . . .

- (3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

COUNTY AUDITOR
ORANGE COUNTY
FEDERAL FINDINGS
(Continued)

- (4) Ensure that subrecipients expending \$300,000 (*\$500,000 for fiscal years ending after December 31, 2003*) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.
- (5) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action. . . ."

2 CFR Appendix A to Part 25.360(B) states:

"If you are authorized to make subawards under this award, you:

1. Must notify potential subrecipients that no entity (see definition in paragraph C of this award term) may receive a subaward from you unless the entity has provided its DUNS number to you.
2. May not make a subaward to an entity unless the entity has provided its DUNS number to you."

Cause

Management had not developed a system of internal controls that would ensure that the County complied with the subrecipient monitoring compliance requirements.

Effect

The failure to establish an effective internal control system would have caused the County to be in noncompliance with the compliance requirements and with the grant agreement. A lack of internal control system would have also allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls related to the grant agreement and compliance requirements listed above. We also recommended that the County monitor the activities of the subrecipients as required by the compliance guidelines and the grant agreement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan, which is part of this report.

FINDING 2014-005 - REPORTING

Federal Agency: U.S. Department of Transportation

Federal Program: Formula Grants for Rural Areas

CFDA Number: 20.509

Federal Award Numbers and Years (or Other Identifying Numbers): A249-13-320323, A249-14-320428

Pass-Through Entity: Indiana Department of Transportation

COUNTY AUDITOR
ORANGE COUNTY
FEDERAL FINDINGS
(Continued)

Condition

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

The monthly expense or fare itemizations were not always included in the documentation provided for review by the County Auditor to file the quarterly request for reimbursement. The County did not have any policies and procedures in place to ensure the quarterly requests for reimbursements were supported by proper documentation.

Context

Fare itemization documentation was not included in the documentation maintained by the County for any of the reimbursement requests submitted during the audit period. Expense itemization documentation was available for two of the four quarterly requests for reimbursement submitted during the audit period. The supporting documentation was requested and obtained from the subrecipient for audit.

Criteria

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. . . ."

Cause

Management had not developed a system of internal controls that would ensure that the County complied with the Reporting compliance requirement.

Effect

The failure to establish an effective internal control system would have placed the County at risk of noncompliance with the grant agreement and the compliance requirement. A lack of internal controls would have allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls related to the grant agreement and compliance requirement listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan, which is part of this report.

COUNTY AUDITOR
ORANGE COUNTY
FEDERAL FINDINGS
(Continued)

FINDING 2014-006 - SUBRECIPIENT MONITORING

Federal Agency: U.S. Department of Transportation
Federal Program: Formula Grants for Rural Areas
CFDA Number: 20.509
Federal Award Numbers and Years (or Other Identifying Numbers): A249-13-320323, A249-14-320428
Pass-Through Entity: Indiana Department of Transportation (INDOT)

Condition

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the Subrecipient Monitoring compliance requirement.

The County simply reimbursed the subrecipient based upon the Claim Receipts submitted by the subrecipient. The County did not have any policies and procedures in place to monitor the subrecipient, and no actual monitoring occurred.

The County did not ensure that their subrecipient obtained the required audits nor did they obtain or review the audit reports so that they could take appropriate or timely action, if required.

The County did not obtain or require their subrecipient to provide them with their DUNS number.

Context

This was a systemic problem within the County's Formula Grants for Rural Areas program, 100 percent of the grant amount was passed through to the subrecipient. At no point during the year under audit was there any documentation or evidence to indicate that the County was actively monitoring the subrecipient.

Criteria

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. . . ."

OMB Circular A-133, Subpart D, section .400(d) states in part:

"Pass-through entity responsibilities. A pass-through entity shall perform the following for the Federal awards it makes: . . .

- (3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- (4) Ensure that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.

COUNTY AUDITOR
ORANGE COUNTY
FEDERAL FINDINGS
(Continued)

- (5) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action. . . ."

2 CFR Appendix A to Part 25.360(B) states:

"If you are authorized to make subawards under this award, you:

1. Must notify potential subrecipients that no entity (see definition in paragraph C of this award term) may receive a subaward from you unless the entity has provided its DUNS number to you.
2. May not make a subaward to an entity unless the entity has provided its DUNS number to you."

Cause

Management had not developed a system of internal controls that would ensure that the County complied with the Subrecipient Monitoring compliance requirement.

Effect

The failure to establish an effective internal control system would have caused the County to be in noncompliance with the compliance requirement and with the grant agreement. A lack of internal control system would have also allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls related to the grant agreement and compliance requirement listed above. We also recommended that the County monitor the activities of the subrecipient as required by the compliance guidelines and the grant agreement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan, which is part of this report.

Donna Atchison

Auditor of Orange County

205 East Main St. Suite 1

Paoli, Indiana 47454

auditor1@co.orange.in.us

CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for Corrective Action: Donna Atchison
Contact Phone Number: 812-723-7100

We concur with the finding the county did not prepare a proper form SEFA. Several people where involved with the reporting and communication was limited between the parties. :

Description of Corrective Action Plan:

Auditor shall again try to enforce the grant action plan stated in previous audits, expressing the consequences of non-participation in the plan. Auditor shall assign the completion of the SEFA form to one deputy other than the accounts payable deputy without any other input from non-related parties.

Anticipated Completion Date:

Immediately May 23, 2016

Donna Atchison
(Signature)

Auditor
(Title)

May 23 2016
(Date)

Donna Atchison

Auditor of Orange County

205 East Main St. Suite 1

Paoli, Indiana 47454

auditor1@co.orange.in.us

CORRECTIVE ACTION PLAN

FINDING 2014-003

Contact Person Responsible for Corrective Action: Donna Atchison
Contact Phone Number: 812-723-7100

We concur with the finding. Auditor relied upon accounts payable deputy to follow the same protocol of all other claims made in this office.

Description of Corrective Action Plan:

Accounts payable deputy will be made aware of proper documentation applies to ALL claims presented in the office. Proper documentation will be required before any checks are distributed.

Anticipated Completion Date:

May 23, 2016

Donna Atchison
(Signature)

Auditor
(Title)

May 23 2016
(Date)

Donna Atchison

Auditor of Orange County

205 East Main St. Suite 1

Paoli, Indiana 47454

auditor1@co.orange.in.us

CORRECTIVE ACTION PLAN

FINDING 2014-004

Contact Person Responsible for Corrective Action: Donna Atchison

Contact Phone Number: 812-723-7100

We concur with the finding. Views of Responsible Official:

Description of Corrective Action Plan:

The person other than the accounts payable deputy will be assigned to complete the SEFA form will also be responsible for compliance of all compliance related issues.

Anticipated Completion Date:

May 23, 2016

Donna Atchison
(Signature)

Auditor
(Title)

May 23 2016
(Date)

Donna Atchison

Auditor of Orange County

205 East Main St. Suite 1

Paoli, Indiana 47454

auditor1@co.orange.in.us

CORRECTIVE ACTION PLAN

FINDING 2014-005

Contact Person Responsible for Corrective Action:
Contact Phone Number:

We concur with the findings. Views of Responsible Official:

Description of Corrective Action Plan:

The person other than the accounts payable deputy will be assigned to complete the SEFA form will also be responsible for compliance of all reporting to be made to any and all compliance reports.

Anticipated Completion Date:

May 23, 2016

Donna Atchison
(Signature)

Auditor
(Title)

May 23 2016
(Date)

Donna Atchison

Auditor of Orange County

205 East Main St. Suite 1

Paoli, Indiana 47454

auditor1@co.orange.in.us

CORRECTIVE ACTION PLAN

FINDING 2014-006

Contact Person Responsible for Corrective Action: Donna Atchison

Contact Phone Number: 812-723-7100

We concur with the findings. Views of Responsible Official:

Description of Corrective Action Plan:

The person other than the accounts payable deputy will be assigned to complete the SEFA form will also be responsible for compliance of all compliance related issues.

Anticipated Completion Date:

May 23, 2016

Donna Atchison
(Signature)

Auditor
(Title)

May 23 2016
(Date)

COUNTY AUDITOR
ORANGE COUNTY
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The financial statements presented in the audit report of Orange County for the period of January 1, 2014 to December 31, 2014, included the following funds with overdrawn cash balances at December 31, 2014:

Fund	Amount Overdrawn
Health	\$ 5,005
Payroll Withholding - FICA & Medicare	46

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

ERRORS ON CLAIMS

A test of claims identified the following deficiencies:

1. Of the claims tested 9 percent did not have adequate supporting documentation. This error resulted in \$3,895 of expenditures which did not have adequate supporting documentation.
2. Of the claims tested, 6 percent did not have evidence to support receipt of goods or services.
3. Of the claims tested, 3 percent did not have proper approval by the Fiscal Officer.

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. . . ."

COUNTY AUDITOR
ORANGE COUNTY
AUDIT RESULTS AND COMMENTS

CREDIT CARDS

The County was using credit cards to purchase items under an approved credit card policy. However, in 1 of 15 credit card claims tested, an incomplete group of receipts was attached to the claim. Two receipts were missing which resulted in \$98 in charges for which there was not adequate supporting documentation present with the claim. Additional testing on travel claims revealed that \$1,030 in lodging expenses were charged to one of the County's credit cards for which no receipt was included with the statement attached to the claim.

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. . . ."

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

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.

COUNTY AUDITOR
ORANGE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

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

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)

COUNTY AUDITOR
ORANGE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 23, 2016, with Donna Atchison, County Auditor; Don Brewer, President of the Board of County Commissioners; Kermit A. Lamb, President of the County Council; and John F. Noblitt, County Council member.

COUNTY SHERIFF
ORANGE COUNTY

COUNTY SHERIFF
ORANGE COUNTY
AUDIT RESULTS AND COMMENTS

SUPPORTING DOCUMENTATION

We noted the following disbursement from the Commissary fund that did not include supporting documentation to support the purchase:

<u>Date</u>	<u>Amount</u>	<u>Payee</u>	<u>Description of Purchase (if any)</u>
06-16-14	<u>\$ 121</u>	VISA	Red Lobster on 03-18-14

Due to the lack of supporting information, we could not verify the purpose of the disbursement.

In addition, a disbursement of \$80 was made from the Commissary fund for registration fees for spouses to attend the Indiana Sheriff Association Winter Conference that was held March 7 through March 9, 2014. The County Sheriff reimbursed \$80 to the Commissary fund on receipt 13456, dated May 23, 2016.

Indiana Code 36-8-10-21(d) states:

"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;
- (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.

COUNTY SHERIFF
ORANGE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (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)."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

All claims, invoices, receipts, accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for which amounts are claimed, including the nature, name, and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COMMISSARY REIMBURSEMENTS

Numerous expenses that should have been paid from County funds totaling \$30,433 were paid from the Commissary fund, thereby circumventing the County claims process. A claim was then later submitted to the County Auditor to reimburse the Commissary fund for these expenditures from the appropriate funds on the County Auditor's ledger. The majority of the reimbursements were for items such as postage, ammunition, lodging, food, supplies, etc.

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

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

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

- (1) there is a fully itemized invoice or bill for the claim;

COUNTY SHERIFF
ORANGE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (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. . . ."

Indiana Code 36-8-10-21(d) states:

"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;
- (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

COUNTY SHERIFF
ORANGE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (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)."

COMPENSATION AND BENEFITS

Six checks totaling \$900 were disbursed from the Commissary fund to two individuals on vendor claims with no supporting documentation. These disbursements were discussed with the Bookkeeper. She indicated these were payments for compensation which were not included in the payroll system or on the salary ordinance or resolution.

Indiana Code 36-8-10-21(d) states:

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COUNTY SHERIFF
ORANGE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 5)

PRESCRIBED FORMS

The County Sheriff did not use the prescribed form, General Form 358, Ledger of Receipts, Disbursements and Balances, to record the transactions and balances of the Commissary fund. Nor did he request approval for an alternative form to be used in lieu of the prescribed form.

IC 36-8-10-21(e) requires the sheriff to maintain a record of the jail commissary fund's receipts and disbursements. Such records shall be maintained on General Form No. 358, Ledger of Receipts, Disbursements and Balances. The Sheriff shall semiannually provide a copy of such record to the County Council.

The semiannual reports are due on July 1 and December 31 of each year. (The County Bulletin and Uniform Compliance Guidelines, Volume 378, p. 5)

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 Counties of Indiana, Chapter 1)

COUNTY SHERIFF
ORANGE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 23, 2016, with Richard W. Dixon, former County Sheriff; Josh Babcock, County Sheriff; Becky Farris, Bookkeeper; Don Brewer, President of the Board of County Commissioners; Kermit A. Lamb, President of the County Council; and John F. Noblitt, County Council member.

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BOARD OF COUNTY COMMISSIONERS
ORANGE COUNTY

BOARD OF COUNTY COMMISSIONERS
ORANGE COUNTY
AUDIT RESULTS AND COMMENTS

COMPENSATION AND BENEFITS

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- (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;
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BOARD OF COUNTY COMMISSIONERS
ORANGE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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CREDIT CARDS

The County was using credit cards to purchase items under an approved credit card policy. However, in 1 of 15 credit card claims tested, an incomplete group of receipts was attached to the claim. Two receipts were missing which resulted in \$98 in charges for which there was not adequate supporting documentation present with the claim. Additional testing on travel claims revealed that \$1,030 in lodging expenses were charged to one of the County's credit cards for which no receipt was included with the statement attached to the claim.

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. . . ."

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.

BOARD OF COUNTY COMMISSIONERS
ORANGE 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 usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

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

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)

BOARD OF COUNTY COMMISSIONERS
ORANGE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 23, 2016, with Don Brewer, President of the Board of County Commissioners.

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COUNTY COUNCIL
ORANGE COUNTY

COUNTY COUNCIL
ORANGE COUNTY
AUDIT RESULT AND COMMENT

COMPENSATION AND BENEFITS

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COUNTY COUNCIL
ORANGE COUNTY
AUDIT RESULT AND COMMENT
(Continued)

- (A) Substance abuse.
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COUNTY COUNCIL
ORANGE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 23, 2016, with Don Brewer, President of the Board of County Commissioners; Kermit A. Lamb, President of the County Council; and John F. Noblitt, County Council member.

CLERK OF THE CIRCUIT COURT
ORANGE COUNTY

CLERK OF THE CIRCUIT COURT
ORANGE COUNTY
FEDERAL FINDING

FINDING 2014-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition

We noted the following deficiency in the internal control system of the Clerk of the Circuit Court related to financial transactions and reporting. There was a lack of segregation of duties in recordkeeping. There were no controls in place to ensure that the receipts and disbursements posted to the records, the monthly reconcilements, and the reports were complete and accurate.

All the Clerk of the Circuit Court's employees collected payments and used the same cash drawer. The Bookkeeper receipted payments, and was solely responsible for posting receipts to the records, preparing the deposits, and taking the deposits to the bank. The Bookkeeper was also responsible for reconciling the bank statements monthly and preparing the monthly Clerk of the Circuit Court's report.

The Bookkeeper was also the sole employee responsible for writing, issuing, and posting all checks for the department.

Criteria

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 Clerks of the Circuit Courts of Indiana, Chapter 13)

Cause

Management of the County had not established a proper system of internal control, including segregation of duties.

Effect

The failure to establish controls would have enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the County at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan, which is part of this report.

BETH JONES
CLERK ORANGE CIRCUIT COURT
ONE COURT STREET
PAOLI, IN 47454
PHONE: (812) 723-2649
FAX: (812) 723-0239
Email: countyclerk@co.orange.in.us

CORRECTIVE ACTION PLAN

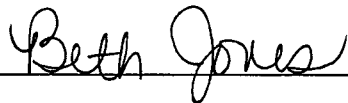
FINDING 2014-002

BETH JONES
(812) 723-2649

I concur with the finding.

I will implement internal controls to correct the finding effective immediately.

Corrective Action Plan will be put into place beginning May 16, 2016.



Clerk Orange Circuit Court

May 16, 2015

CLERK OF THE CIRCUIT COURT
ORANGE COUNTY
AUDIT RESULT AND COMMENT

DEPOSITS NOT MADE INTACT

We found 14 out of 125 tested receipts where cash receipts were not deposited in the same form as the collections.

Indiana Code 5-13-6-1(c) states in part: ". . . Public funds deposited . . . shall be deposited in the same form in which they were received."

CLERK OF THE CIRCUIT COURT
ORANGE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 17, 2016, with Beth Jones, Clerk of the Circuit Court, and on May 23, 2016, with Don Brewer, President of the Board of County Commissioners; Kermit A. Lamb, President of the County Council; and John F. Noblitt, County Council member.