

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CLAY COUNTY, INDIANA

January 1, 2015 to December 31, 2015



FILED
10/27/2016

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
County Auditor:	
Federal Finding:	
Finding 2015-001 - Preparation of the Schedule of Expenditures of Federal Awards	6-7
Corrective Action Plan	8
Exit Conference	9
Clerk of the Circuit Court:	
Federal Finding:	
Finding 2015-002 - Allowable Costs/Cost Principals	12-13
Corrective Action Plan	14
Exit Conference	15

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Jennifer M. Flater	01-01-15 to 12-31-18
County Treasurer	Samuel Glover Debra James (interim) Debra James	01-01-15 to 02-05-15 02-06-15 to 02-20-15 02-21-15 to 12-31-18
Clerk of the Circuit Court	Victoria J. Wheeler	01-01-13 to 12-31-16
County Sheriff	Paul Harden	01-01-15 to 12-31-18
County Recorder	Joseph Dierdorf	01-01-13 to 12-31-16
President of the County Council	Larry J. Moss	01-01-15 to 12-31-16
President of the Board of County Commissioners	Tony Fenwick (Vacant) Paul R. Sindors	01-01-15 to 08-28-15 08-29-15 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
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF CLAY COUNTY, INDIANA

This report is supplemental to our audit report of Clay County (County), for the period from January 1, 2015 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings 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.

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

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

September 12, 2016

(This page intentionally left blank.)

COUNTY AUDITOR
CLAY COUNTY

COUNTY AUDITOR
CLAY COUNTY
FEDERAL FINDING

FINDING 2015-001 - 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). The following material errors were noted on the SEFA in relation to the Child Support Enforcement program:

1. Federal incentive awards were received by the County in advance of spending; however, they were reported by the County as reimbursements for expenditures.
2. Child Support expenditures made from the County General fund for the Clerk IV-D activity and the reimbursement from the awarding agency were omitted from the SEFA.
3. The County was reimbursed for Child Support Enforcement program's Prosecutor IV-D Expenditures partially by the federal government and partially by the State of Indiana. The County included the state reimbursement received on the SEFA.

The errors resulted in Child Support Enforcement program expenditures reported on the SEFA being understated by \$27,388. Audit adjustments were proposed, accepted by the County, and made to the SEFA.

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 Counties of Indiana, Chapter 1)

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

COUNTY AUDITOR
CLAY COUNTY
FEDERAL FINDING
(Continued)

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

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

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA could have remained undetected and the SEFA contained the errors identified in the *Condition*.

View of Responsible Officials

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



JENNIFER M FLATER
AUDITOR OF CLAY COUNTY
609 EAST NATIONAL AVE
ROOM 105
BRAZIL IN 47834
812-448-9097

CORRECTIVE ACTION PLAN

September 12, 2016

FINDING 2015-001

Contact Person Responsible for Corrective Action: Jennifer M Flater
Contact Phone Number: 812-448-9097

Section II – Financial Statement Finding

Finding 2015-001 – PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

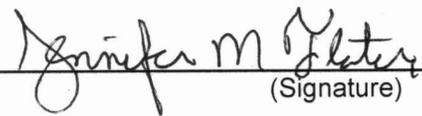
Views of Responsible Official:
We concur with the finding.

Description of Corrective Action Plan:

We will decipher if federal incentive awards are advance of spending or reimbursement for expenditures before posting to our financial system.

We will set up a spreadsheet and list all grants in two columns one being Federal and one being State to ensure the proper grants received by Clay County are reported on the SEFA.

Anticipated Completion Date: September 12, 2016


(Signature)

Auditor

9-12-16

COUNTY AUDITOR
CLAY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 12, 2016, with Jennifer M. Flater, County Auditor; Patricia A. Foyx, First Deputy County Auditor; and Paul R. Sindors, President of the Board of County Commissioners.

(This page intentionally left blank.)

CLERK OF THE CIRCUIT COURT
CLAY COUNTY

CLERK OF THE CIRCUIT COURT
CLAY COUNTY
FEDERAL FINDINGS

FINDING 2015-002 - 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): FY 2015
Pass-through Entity: Indiana Department of Child Services

Condition

The County had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement that had a direct and material effect on the Child Support Enforcement program.

Several employees in the Clerk of the Circuit Court's office worked on several cost objectives each pay period, including the Child Support Enforcement program. The staff in the Clerk of the Circuit Court's office kept track of the total time they worked each pay period; however, the amount that they were paid from Child Support Enforcement funds was based on the Salary Ordinance for their position, which was an estimated amount and not an after-the-fact actual activity of the employee each pay period.

Context

Proper supporting documentation for compensation expense was not prepared during the entire audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.430(i) states in part:

"Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:"

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

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

(viii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:

(A) The system for establishing the estimates produces reasonable approximations of the activity actually performed;

(B) Significant changes in the corresponding work activity (as defined by the non-Federal entity's written policies) are identified and entered into the records in a timely manner. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term; and

(C) The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal awards based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated. . . ."

Cause

The County had not established a system of internal controls to provide reasonable assurance that the costs associated with personal services charged to the federal award were in accordance with the compliance requirement stated above.

Effect

The failure to establish effective internal controls enabled material noncompliance to go undetected. Noncompliance of the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the County.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls, including segregation of duties, related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. We also recommended that the County maintain proper supporting documentation for compensation.

Views of Responsible Officials

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

Victoria J. Wheeler
Clerk / Jury Administrator
Courthouse
609 East National, Room 213
Brazil, Indiana 47834



Clay Circuit / Superior Court

email: vickie@claycountyin.gov

Telephone 812-448-9025
Fax 812-446-9602

CORRECTIVE ACTION PLAN

FINDING 2015-002

Contact Person Responsible for Corrective Action: Victoria J Wheeler
Contact Phone Number: 812-448-9025

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Using a consulting service, a system of tracking daily activity has been developed. All Child Support employees will record the hours spent on various activities daily on a spread sheet. This spread sheet will be used to calculate payroll and then put on file for audit.

Anticipated Completion Date: June 1, 2016 this plan was implemented.

Victoria J. Wheeler
(Signature)

Clerk
(Title)

9-12-2016
(Date)

CLERK OF THE CIRCUIT COURT
CLAY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 12, 2016, with Victoria J. Wheeler, Clerk of the Circuit Court; Jennifer M. Flater, County Auditor; and Paul R. Sinders, President of the Board of County Commissioners.