

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

STEBEN COUNTY, INDIANA

January 1, 2015 to December 31, 2015



FILED
11/07/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Kim A. Koomler	01-01-15 to 12-31-18
County Treasurer	Laurie Stoy	01-01-13 to 12-31-16
Clerk of the Circuit Court	Michelle Herbert	01-01-15 to 12-31-18
County Sheriff	Tim R. Troyer	01-01-15 to 12-31-18
County Recorder	Linda Myers	01-01-15 to 12-31-18
County Prosecuting Attorney	Jeremy T. Musser	01-01-15 to 12-31-18
President of the Board of County Commissioners	Ronald L. Smith	01-01-15 to 12-31-16
President of the County Council	Richard Shipe	01-01-15 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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TO: THE OFFICIALS OF STEUBEN COUNTY, INDIANA

This report is supplemental to our audit report of Steuben 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 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

September 19, 2016

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COUNTY AUDITOR
STEUBEN COUNTY

COUNTY AUDITOR
STEUBEN 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 County should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

Context

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

Four programs were under-reported, three programs were omitted, and three programs were over-reported. In total, the SEFA was under-reported by \$378,517.

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 Counties of Indiana, Chapter 1)

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

2 CFR section 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 section 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
STEUBEN 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 a 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 section 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 the 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 section 200.414 Indirect (F&A) costs."

Cause

Management had not established a system of internal control that would ensure proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected. The SEFA contained the errors identified in the *Condition*.

Views of Responsible Officials

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



Kim Koomler

**Steuben County Auditor
Steuben County Community Center**

**317 South Wayne Street, Suite 2J
Angola Indiana, 46703
Phone (260)668-1000 x 1218
Fax (260)665-8483**

CORRECTIVE ACTION PLAN

FINDING 2015-001 PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action: Kim Koomler, Steuben County Auditor

Phone Number: 260-668-1000 ext. 1218

Status of Audit Finding:

Steuben County Auditor implemented additional internal controls to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Auditor has implemented a more efficient internal review procedure to ensure the proper review of all grant information prior to entering data into (SEFA) Schedule of Expenditures of Federal Awards portion of the Annual Financial Report. Additionally, there is a secondary review by the Auditor or her designee of all grant report data.

Additionally, controls over receipting, disbursing, recording and accounting for the financial activities are in place to avoid substantial risk. This is being done by requiring a second person prepare and update an excel spreadsheet for tracking of each individual grant.

Kim Koomler
(Signature)

Auditor
(Title)

9-16-16
(Date)

COUNTY AUDITOR
STEUBEN COUNTY
AUDIT RESULTS AND COMMENTS

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations for the year 2015:

<u>Fund</u>	<u>Excess Amount Expended</u>
Mental Health	\$ 26,413
16.575 Pros Victim Assistance	1,960
COMM CORRECT CTP FY 2016	204

The records presented for audit indicated the following funds were expended without appropriation for the year 2015 by the County Council:

<u>Fund</u>	<u>Excess Amount Expended</u>
WIC Travel Training	\$ 3,215
16.607 Bulletproof Vests	2,352
20.106 FAA AIP ROW Crack RE	268,951
Rec Trails Bike Trail	104,955
20.509 Transit Star 1802564P	271,692
20.600 DUI Task Force IND	1,978
Public Health Prepare Grant #93.069	22,900
97.042 Homeland Sec FEMA	8,685
8118 FAA AIP 3-18-0002-013-2	241
FAA PART ALP UPDT 31800 20.106	5,663
FAA Runway 5/23 ETC CON #20.106	12,381
WIC Fiscal Yrs (Even #s)	42,253
93.008 MRC NACCHO/Health Grant	3,492
16.527 CAVA Visit & Exchange	243
93.563 Title IV-D Incentive	3,800
WIC SCCF Grant	150
CFDA 20.703 FLOW STUDY/EMA	20,000
ISDH BP3 MRC GRANT	5,000
Mental Health Grant 2015 FD 010	32,425
Family Court Project Grant	5,360

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
STEUBEN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 19, 2016, with Kim A. Koomler, County Auditor; Ronald L. Smith, President of the Board of County Commissioners; Richard Shipe, President of the County Council; and Lori L. Hickey, County Auditor Chief Deputy.

COUNTY SHERIFF
STEUBEN COUNTY

COUNTY SHERIFF
STEUBEN COUNTY
AUDIT RESULTS AND COMMENTS

RECONCILIATION OF INMATE TRUST RECORDS

The total of the Active Cash Account Balance Report (subsidiary record) did not agree with the Inmate Trust Check Register (control ledger). At December 31, 2015, the inmate trust control ledger was \$278 more than the subsidiary record. This was corrected in January 2016.

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 Counties of Indiana, Chapter 1)

PRESCRIBED FORMS

The County Sheriff's Department uses Quicken Software to account for the Steuben County Jail Commissary, Steuben County Jail Meal Allowance, and Steuben County Inmate Trust funds. This accounting software's design can allow changes to a transaction file to occur without showing evidence of the transaction changes. A good design will not allow changes to a transaction file to occur unless done through an application that tracks the changes. In addition, reports provided were not the ledgers prescribed by the Indiana State Board of Accounts.

A similar comment appeared in prior Report B44693.

All transactions that occur in the system must be recorded. Transactions can be maintained on-line, on back-up tapes, microfilmed, or printed on hard copy. These transactions include, but are not limited to, all input transactions, transactions that generate receipts, transactions that generate checks, master file updates, and all transactions that affect the ledgers in anyway. The system must be designed so that changes to a transaction file cannot occur without being processed through an application. (The County Bulletin and Uniform Compliance Guidelines, Vol. 354, page 16)

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
STEUBEN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

STEUBEN COUNTY JAIL MEAL ALLOWANCE AND SHERIFF'S DEPARTMENT SEIZED ASSETS

The Steuben County Jail Meal Allowance fund and the Sheriff's Department Seized Assets fund are maintained by the County Sheriff's Department. The Meal Allowance fund is used to account for meals served to inmates. The Seized Assets fund is used to supplement the County Sheriff's General fund budget.

Indiana Codes 36-2-7-15 and 36-8-10-21 provide statutory authority for the establishment of the Sheriff's Cash Book and the Commissary fund, respectively. These are the only two funds specifically authorized to be held by the County Sheriff outside the Office of the County Auditor. The County Sheriff was informed that the County Auditor, as the Fiscal Officer of the County (IC 36-1-2-7) should maintain the Meal Allowance fund and the Seized Assets fund.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and the Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

INTEREST PAID ON CREDIT CARDS

Interest in the amount of \$200 was paid on the July credit card statement. This was due to a payment being made late.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)



Steuben County Sheriff's Office

206 E. Gale St. • Angola, Indiana 46703

Tim R. Troyer, Sheriff

Rodney L. Robinson, Chief Deputy

Phone: 260.668.1000

Business Office: Ext. 5000

Fax: 260.665.9476

October 3, 2016

State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, IN 46204

Please consider this my official response to the State Board of Accounts 2015 audit results and comments.

Item 5: Interest Paid on Credit Cards

Two of the three payments applied to this credit card were late. The first payment, for \$10,462.55, was paid directly from the Sheriff's Office for inmate meal costs, and was early. The second payment, for \$2,650.55, was paid through the Auditor's Office and was late. After conversation with the Auditor's Office, it was discovered they put the VISA claim through the regular claims process, rather than paying on first audit. We developed a new procedure with the Auditor's Office for VISA bills to avoid this occurring again. The third payment, for \$583.98, was paid directly from the Sheriff's Office commissary fund and our payment missed the deadline. We are responsible for this, as we were collecting the necessary receipts and did not mail the payment until two days prior to the due date. We further restricted credit card usage to avoid this problem in the future.

Thank you for your assistance during the audit procedure, and the opportunity to respond.

Sincerely,

Tim R. Troyer
Sheriff

COUNTY SHERIFF
STEUBEN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 27, 2016, with Tim R. Troyer, County Sheriff, and Julie Troyer, Office Manager.

The contents of this report were discussed on September 19, 2016, with Ronald L. Smith, President of the Board of County Commissioners, and Richard Shipe, President of the County Council.

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COUNTY PROSECUTING ATTORNEY
STEUBEN COUNTY

COUNTY PROSECUTING ATTORNEY
STEUBEN COUNTY
FEDERAL FINDING

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

An effective internal control system, which would include segregation of duties, was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the following compliance requirement: Allowable Costs/Cost Principles.

Context

The County Prosecuting Attorney's office was required to maintain time and effort reports on all full and part-time employees paid from the grant. There were no time and effort reports completed for full-time employees during the audit period. The County Prosecuting Attorney's office was not aware of any report required for full-time employees by the state agency that would have fulfilled the compliance requirement.

Criteria

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

". . . (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. . . ."

COUNTY PROSECUTING ATTORNEY
STEUBEN COUNTY
FEDERAL FINDING
(Continued)

2 CFR section 200.303 states in part:

"The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award 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). . . ."

Cause

Management did not develop a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system places the County at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements 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, including segregation of duties, 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, that is part of this report.

Office of the Prosecuting Attorney

85th INDIANA JUDICIAL CIRCUIT



STEBEN COUNTY, INDIANA

205 S. Martha St.
Suite 107
Angola, IN 46703-1945

FINDING 2015-002

Contact Person Responsible for Corrective Action: Traci Bruick, IV-D Administrator
Contact Phone Number: (260) 668-1000 x 2500

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

We received guidance from CSB on July 20th, 2016 in accordance with the "Cooperative Agreement for Federal Financial Participation for Prosecuting Attorneys Performing Title IV-D Services, section IV.B.3 and IV.E.10. We rely on the policies, procedures and forms, as well as training, provided by CSB for compliance with federal requirements. Pursuant to that guidance, we will comply with the following: 2 CFR 225 APP. B 8(h) "(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certification that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee."

Anticipated Completion Date: 8/18/2016



(Signature)

Prosecutor

(Title)

8/17/16

(Date)

FAX # (260) 665-2320
Telephone (260) 668-1000

Bad Check Investigator
ext. 2410

Victim Assistance Office
ext. 2430 or 2490

All Other Calls
ext.

2400

COUNTY PROSECUTING ATTORNEY
STEUBEN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 19, 2016, with Jeremy T. Musser, County Prosecuting Attorney; Nichole Upp, Prosecutor Office Manager; Traci Bruick, IV-D Administrator; Ronald L. Smith, President of the Board of County Commissioners; and Richard Shipe, President of the County Council.