

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MONROE COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
03/06/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Steve Saulter	01-01-13 to 12-31-16
County Treasurer	Cathy Smith	01-01-13 to 12-31-16
Clerk of the Circuit Court	Linda Robbins	01-01-11 to 12-31-18
County Sheriff	James Kennedy Brad Swain	01-01-11 to 12-31-14 01-01-15 to 12-31-18
County Recorder	Jim Fielder (Deceased) (Vacant) Jeff Ellington Eric Schmitz	01-01-11 to 05-24-14 05-25-14 to 06-18-14 06-19-14 to 12-31-14 01-01-15 to 12-31-18
President of the Board of County Commissioners	Iris Kiesling Patrick Stoffers	01-01-13 to 12-31-13 01-01-14 to 12-31-14
President of the County Council	Geoff McKim	01-01-13 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF MONROE COUNTY, INDIANA

This report is supplemental to our audit report of Monroe County (County), for the period from January 1, 2013 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the County, which provides our opinions on the County's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

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

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

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

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

December 18, 2014

COUNTY AUDITOR
MONROE COUNTY

COUNTY AUDITOR
MONROE COUNTY
FEDERAL FINDINGS

***FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL
TRANSACTIONS AND REPORTING - COUNTY AUDITOR***

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

1. *Reporting:* Effective internal controls over financial reporting involves the identification and analysis of the risks of material misstatements to the County's audited financial statement and then determining how those identified risks should be managed. The County has not identified risks to the preparation of a reliable financial statement and, as a result, has failed to design effective controls over the preparation of the financial statement to prevent, or detect and correct, material misstatements, including notes to the financial statement. We found no documented review or approval of the County's Annual Financial Report in the Gateway system. The County's Annual Financial Report is used to compile their financial statement. The following are some of the material errors we found in relation to the preparation of the financial statement:
 - The Westside TIF 2013 Sinking Cash w/ Fiscal Agent fund that was not included on the County's financial statement.
 - An investment in the Reassessment - 2015 fund was not included on the County's financial statement, but was accounted for on the County Treasurer's Cash Book.

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

2. *Financial Transactions:*

- *Payroll*
 - *Lack of Segregation of Duties:* One employee processes payroll and is responsible for calculating and making all employee and employer benefit payments. No documented review or approval of these transactions occurs by any other County employee.
 - No review or approval was conducted on changes made to the payroll amounts due to an employee changing deductions.
 - No independent verification for ensuring that the payroll system reports agreed to the amounts that were processed for direct deposits.
 - No independent verification for ensuring amounts being paid to the employees agreed to the salary ordinance, leave balances were correctly recorded, time sheets were signed, and payroll claim vouchers signed by the official or department head.
 - No review and/or analysis of the Payroll Clearing fund to ensure that the various subaccounts that make up this fund were posted properly and that the balances, if any, were correct and owed for unpaid and/or outstanding obligations.

COUNTY AUDITOR
MONROE COUNTY
FEDERAL FINDINGS
(Continued)

- No controls were in place to ensure that pension payments were posted correctly to the County Auditor's financial ledger.
- No controls were in place to ensure that compensatory time is being handled correctly per the County's personnel policy.
- *Financial Activities:* We observed that payroll withholding and benefits, as well as, tax settlement transactions included a lot of erroneous postings that needed to be voided and reposted.
- *Accounts Payable:* Accounts payable checks were distributed by the County Auditor's staff to the department that initiated the disbursement for mailing to the vendors. No controls were in place to ensure misappropriation did not occur as a result of this process.

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)

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."

**FINDING 2013-002 - INTERNAL CONTROLS OVER THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The County has not designed a proper system of internal controls, which would include segregation of duties, related to the preparation of the Schedule of Expenditures of Federal Awards (SEFA). An employee of the County Auditor's Office independently prepares the grant worksheet for the SEFA to include in the financial report without an oversight, review, or approval process. A lack of segregation of duties within an internal control system could allow material misstatements of the SEFA to remain undetected. A proper system of internal controls would include segregation of duties by having proper oversight, review, or approval process and would allow the County to properly complete the SEFA.

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

- Some state grants were included.

COUNTY AUDITOR
MONROE COUNTY
FEDERAL FINDINGS
(Continued)

- Some grants included federal and state funds.
- One grant reported the incorrect breakdown between the state and federal share.
- Some grants were reported as reimbursement grants instead of advance funded grants.
- Grants were reported as being pass-through grants instead of direct grants.
- Some federal and state agencies were incorrect.
- CFDA numbers were incorrect.
- Program names were either incorrect or not reported.
- Grants with activity in different fiscal or calendar years were not always properly reported.

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

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

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

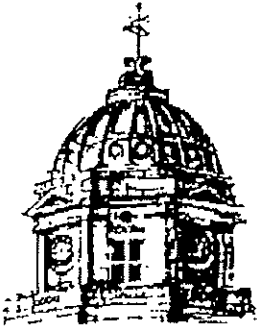
OMB Circular A-133, Subpart C, section .310(b) states:

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

COUNTY AUDITOR
MONROE COUNTY
FEDERAL FINDINGS
(Continued)

- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."



STEVE SAULTER
Monroe County Auditor

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CORRECTIVE ACTION PLAN

December 11, 2014

RE: Section II Findings

Finding 2013-1: Internal Controls Over Financial Transactions and Reporting

The County will implement procedures to ensure segregation of duties concerning payroll functions. The County will also implement procedures to ensure safeguarding controls over cash and all other information as needed.

The segregation of duties concerning payroll will be implemented beginning January 2015. Procedures concerning cash will be implemented at the end of 2014. The procedures concerning accounts payable distribution was implemented in January 2014.

Finding 2013-2: Internal Controls Over the Schedule of Federal Awards

The County will implement a proper system of internal controls to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA)

This procedure will be implemented at the end of 2014 in conjunction with the preparation of the 2014 Annual Report.

Steve Saulter
Monroe County Auditor

COUNTY AUDITOR
MONROE COUNTY
AUDIT RESULT AND COMMENT

PENALTIES, INTEREST, AND OTHER CHARGES

The County paid penalties and interest of \$3,518.57 to the Indiana Department of Revenue for the late payment of payroll withholding taxes for the tax period ending October 31, 2013.

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

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

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR
MONROE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2014, with Steve Sautler, County Auditor; Patrick Stoffers, President of the Board of County Commissioners; Geoff McKim, President of the County Council; Marty Hawk, County Council member; Cheryl Munson, County Council member; R. Michael Flory, Attorney County Council; E. Jeff Cockerill, Attorney; and Angie Purdie, Commissioners' Administrator.

COUNTY TREASURER
MONROE COUNTY

COUNTY TREASURER
MONROE COUNTY
FEDERAL FINDINGS

***FINDING 2013-003 - INTERNAL CONTROLS OVER FINANCIAL
TRANSACTIONS AND REPORTING - COUNTY TREASURER***

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

Cash Reconcilements: From May 2013 to December 2013, no bank reconcilements of the bank statement balances to the balances reported in the County Treasurer's Daily Balance of Cash and Depositories ("Cash Book") were prepared. During the audit, we prepared a combined bank reconciliation as of December 31, 2013, that indicated a cash necessary to balance of \$194,716. The County Treasurer's reconciliation for December 31, 2013, incorrectly reported some outstanding bank account reconciling items including an electronic fund deposit of \$708,755 that was actually a transfer between bank accounts.

Cash Book: The amounts posted to the County Treasurer's Daily Balance of Cash and Depositories through mid-June 2013, did not always agree to the collections for that day's business. The Cash Book was not kept daily from June 2013 to October 2013. The following deficiencies were observed:

- The Cash Book reported property tax collections of \$20,852,006 on May 10, 2013, and \$17,702,898 on November 12, 2013. These amounts represented taxpayer tax payments considered to be made timely, but not yet processed as of May 10 and November 12, 2013. These transactions were backdated rather than being posted on the actual processing date.
- Credit card transactions were not timely posted to the property tax system or the Cash Book.
- No evidence of verification that the property tax software reports and the Cash Book balances agreed.
- Adjustments and/or corrections were usually made without any supporting documentation, or with review and/or approval.
- There were no controls over access to the Cash Book which is an Excel spreadsheet.
- There were not sufficient controls over the settlement receipting and disbursing process. There was no supporting documentation to reconcile the amounts posted to the Cash Book back to the County Auditor's Quietus Worksheet for both quietus amounts and disbursement amounts, to ensure that all amounts had been properly posted.

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)

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 TREASURER
MONROE COUNTY
FEDERAL FINDINGS
(Continued)

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 Treasurers of Indiana, Chapter 10)

***FINDING 2013-004 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS
AND REPORTING - COUNTY TREASURER EXCISE***

We noted several deficiencies in the internal control system over the County Treasurer's excise transactions. We believe the following deficiencies constitute material weaknesses:

- The semiannual excise distribution amounts were not balanced to the Cash Book excise tax balances reported, nor were the Cash Book excise tax balances on hand actually balanced to the subsidiary ledger. In addition, the excise tax amounts certified by the County Treasurer on the Treasurer's Certificate of Collections (49TC) form were not traceable to the County Cash Book. No supporting documentation was provided as to how these amounts were determined and/or the specific date they were presented in the Cash Book.
- Deposits of \$4,416,576 that related to the December 2013 semiannual license excise tax settlement were not deposited for over 30 days. Deposits should be made in a timely manner.

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)

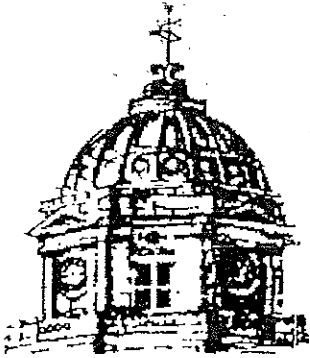
Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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 Treasurers of Indiana, Chapter 10)

COUNTY TREASURER
MONROE COUNTY
FEDERAL FINDINGS
(Continued)

Indiana Code 5-13-6-1(c) states in part: ". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."



CATHERINE C. SMITH
Monroe County Treasurer

Courthouse, Room 204
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Bloomington, IN 47404
Office (812) 349-2531
Fax (812) 349-2079

December 12, 2014

MEMORANDUM FOR RECORD

Treasurer's Office Corrective Action Plan
December 2014
(for Audit Year 2013)

In order to establish, implement and sustain sufficient internal control over financial transactions by creating a plan of corrective action to address 2013 State Board of Account audit issues, please find:

**Finding 2013-003 Internal Controls over Financial Transactions and Reporting –
County Treasurer**

Finding Stated: Material weaknesses in Cash Reconcilements and Cash Book transactions.

Corrective Action: Address inadequate staffing levels including man-hours, preparation, and training by working with our Council Liaison to acquire more human resources, properly trained and with the appropriate skill set. This will be accomplished by seeking position upgrades, additional hours, and retooling our procedures for the increase of E-Commerce. Additionally, once in place procedures will be written to address processes including cashbook posting, corrections, bank balancing and settlement.

To catch up with unreconciled months from 2013, the accounting firm of Hartmann and Williams will be assisting with the reclamation process of these tasks and help us identify procedures and produce written operational procedures moving forward.

Additional Corrective Action: The electronic control of the cashbook has been restored to restrict access to only those responsible employees.

Finding 2013-004 Internal Controls over Financial Transactions and Reporting
County Treasurer Excise

Finding Stated: The semi-annual excise distribution amounts were not balanced to the Cash Book excise Tax balances reported, nor were the Cash Book excise tax balances on hand actually balanced to the subsidiary ledger (BMV Ledger). In addition, the excise tax amounts certified by the Treasurer on the Treasurer's Certificate of Collections (49TC) form were not traceable to the Treasurer's Cash Book. No supporting documentation was provided as to how these amounts were determined and/or the specific date they were presented in the Cash Book.

The County Treasurer is to be provided with County Form 24-ET. This document is required to accurately balance and allocate various Excise Tax prior to biannual Tax Settlements. This is part of the monthly balancing procedure between the Auditor's Office (Allocation) and the Treasurer's Office (Collection). This had not happened prior to 2014 for several years. Beginning with Spring Settlement 2014, the Treasurer began receiving (from the current County Auditor) the required documentation necessary to accurately balance Excise and is working with the Auditor to determine the ownership of the substantial residual funds still residing in the county's safekeeping. It is my plan to continue balancing our Excise receipts to the Form 24-ET that the County Auditor provides and distribute all residual funds to their proper intended recipients.

Finding Stated: Deposits of \$4,416,576 that related to the December 2013 semi-annual license excise tax settlement were not deposited for over 30 days. Deposits should be made in a timely manner.

The County Auditor produced this check on his own and it was NOT requested by me as stated in the Confidential Draft. When he presented me with the check, the required documentation did not accompany the funds, so I did not sign the check and gave the check immediately back to him. He then asked me to hold it in my safe until the proper excise paperwork could be produced. I do not and will not sign checks that do not have the required backup documentation and have asked him to not produce checks without my request. These funds sit on the Treasurer's cashbook and will be moved by quietus in the future and not by writing a check.

Respectfully,



**Catherine C. Smith,
Monroe County Treasurer**

COUNTY TREASURER
MONROE COUNTY
AUDIT RESULT AND COMMENT

EXCISE TAX REVIEW - COMPLIANCE

The following deficiencies were observed:

1. The County Treasurer's Daily Record of Cash and Depositories postings are based on the BMV bank account and not the FTP site.
2. The license excise line on the County Treasurer's Daily Record of Cash and Depositories includes excise surtax and wheel tax.
3. The County Auditor's and County Treasurer's excise tax reconciliation worksheet filed with the Auditor of State's Office for the 2013 spring and fall settlements were not traceable to any supporting schedule or reports. The County had not balanced the excise tax fund at December 31, 2013.
4. The County Treasurer requested the County Auditor to issue checks totaling \$4,416,576 for December 2013 license excise taxes and county option income tax homestead credits. The County Treasurer then held these checks for over 30 days before making the deposit. The normal procedure to accumulate the excise taxes to be settled would have been to reduce the license excise tax line and add the excise tax amounts to the property taxes collected and being settled to the various taxing units within that section of the Cash Book.

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

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

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

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

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

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 10)

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. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY TREASURER
MONROE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2014, with Cathy Smith, County Treasurer; Steve Saulter, County Auditor; Patrick Stoffers, President of the Board of County Commissioners; Geoff McKim, President of the County Council; Marty Hawk, County Council member; Cheryl Munson, County Council member; R. Michael Flory, Attorney County Council; E. Jeff Cockerill, Attorney; and Angie Purdie, Commissioners' Administrator.

CLERK OF THE CIRCUIT COURT
MONROE COUNTY

CLERK OF THE CIRCUIT COURT
MONROE COUNTY
FEDERAL FINDINGS

***FINDING 2013-005 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS
AND REPORTING - CLERK OF THE CIRCUIT COURT***

We noted several deficiencies in the internal control system of the Clerk of the Circuit Court related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

- Trust funds that were moved to interest bearing bank accounts were not accounted for in the Clerk of the Circuit Court's Cash Book. As a result, the Clerk of the Circuit Court's cash and investment balances as of December 31, 2013, were understated by \$190,322. Audit adjustments were proposed, approved by management of the County, and made to the financial statement included in this report.
- Controls over bank reconcilements were not sufficient. The Clerk of the Circuit Court's Office did not retain the detailed reconcilements for each bank account.
- There was a lack of segregation of duties in that the bookkeeper can issue receipts, void receipts, balance the day's business in the financial software, make adjustments, count the daily collections from the cashiers, make up bank deposits, issue checks, and reconcile the bank accounts.

The clerk is required to prepare in quadruplicate a monthly financial report. The report is prepared after the books are closed as of the last day of each month and in accordance with the requirements of IC 33-32-3-6. Form No. 46CR is to be used.

The report is made from the Clerk's Cash Book and Daily Balance Record, Form No. 46, and bank statements furnished by the designated depositories showing balances as of the last day of each month. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 4)

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 Clerks of the Circuit Courts of Indiana, Chapter 13)

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)

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

FINDING 2013-009 - INTERNAL CONTROLS AND COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO CHILD SUPPORT ENFORCEMENT

Federal Agency: U.S. Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Year (or Other Identifying Number): 1304IN4005
Pass-Through Entity: Indiana Department of Child Services

The County has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; and Reporting.

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

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

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the County.

We recommended that the County establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

FINDING 2013-010 - ALLOWABLE COSTS/COST PRINCIPLES NONCOMPLIANCE RELATING TO CHILD SUPPORT ENFORCEMENT - CLERK

Federal Agency: U.S. Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Year: 1304IN4005
Pass-Through Entity: Indiana Department of Child Services

The Clerk of the Circuit Court's Office paid an employee's entire gross pay and related benefits out of the Clerk of the Circuit Court's IV-D Incentive fund through October 2013. This individual's salary and related benefits attributable to the IV-D program were also claimed on their IV-D monthly reimbursement report. The

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

Clerk of the Circuit Court's Office hired a consultant to assist them with making corrections, and the consultant prepared revised monthly reimbursement reports from June 2011 through June 2013. The consultant identified \$31,978 in salaries and benefits paid from the IV-D Incentive fund that was not attributable to the IV-D program.

Questioned costs were identified as \$31,978.

45 CFR 305.35 states in part:

"(a) A State must expend the full amount of incentive payments received under this part to supplement, and not supplant, other funds used by the State to carry out IV-D program activities or funds for other activities approved by the Secretary which may contribute to improving the effectiveness or efficiency of the State's IV-D program, including cost-effective contracts with local agencies, whether or not the expenditures for the activity are eligible for reimbursement under this part.

(b) In those States in which incentive payments are passed through to political subdivisions or localities, such payments must be used in accordance with this section."

OMB Circular A-87, Attachment B, section (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."

The County did not comply with compliance requirements that have a direct and material effect on the program. The failure to comply with federal guidelines could result in the loss of future federal funding.

We recommended that the County develop procedures to ensure only allowed costs are charged to the program.

Corrective Action Plan

Finding 2013-005 Internal Controls over Financial Transactions and Reporting, Clerk of the Circuit Court

Deficiency: Trust funds that were moved to interest bearing bank accounts were not account for the Clerk's cash book. As a result, the Clerk's cash and investment balances as of December 31, 2013 were understated by \$ 190,322. Audit adjustments were proposed, approved by County officials, and the appropriate adjustments were made to the County's financial statement.

Corrective Action: Effective December 1, 2014 the Clerk's office has received approval to manually add the adjustment to the Financial Report, as the Summary provided by our Court Management System (Odyssey) does not allow for separate accounting functions to be included with the financial side of the program. Monroe County is a rare entity that sets up financial records for interest bearing accounts for cases filed in the Clerk's office.

Deficiency: Controls over bank reconcilements were not sufficient. The Clerk's office did not retain the detailed reconcilements for each bank account

Corrective Action: For finding 2013-005 the Clerk's office agrees to retain the detailed reconcilements for each bank account.

Contact information:

Chuck Huang

chuang@co.monroe.in.us 812-349-2613

Deficiency: There was a lack of segregation of duties in that the bookkeeper can issue receipts, void receipts, balance the day's business in the financial software, make adjustments, count the daily collections from the cashiers, make up the bank deposits, issue checks, and reconcile the bank accounts.

Corrective Action: Upon further discussion, it was determined that although the individual in question is authorized to complete these transactions, she is limited from completing any one transaction from beginning to end. For example, she may count the daily collections from the cashiers, but the bank deposit is then completed by another employee. All activities have a "second set of eyes" in order to prevent the risk of invalid transactions. Another example is: One deputy Clerk receives and enters a new case. Even though the Clerk is able to take payments, the customer is referred to a secondary transaction line to take payments. We believe that with the number of limited individuals in the office, the scope of work required to complete the job, and internal controls, we provide reasonable assurance regarding the reliability of our financial operations.

Contact information: Chuck Huang

chuang@co.monroe.in.us 812-349-2613

Corrective Action Plan

FINDING 2013-009 - INTERNAL CONTROLS AND COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO CHILD SUPPORT ENFORCEMENT

FINDING 2013-010 - ALLOWABLE COSTS/COST PRINCIPLES NON-COMPLIANCE RELATIVE TO CHILD SUPPORT ENFORCEMENT CLERK

Federal Agency: Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Year: 1304IN4005
Pass Through Agency: Indiana Department of Child Services

Corrective Action: Effective 2013 the Monroe County Clerk requested the services of a consultant Title IV-D company to review our program, find cases of underreporting and over-reporting expenses, and recommend corrective action.

Our office reimbursed the State of Indiana the amount in question for over-reporting in October, 2014. Amounts underreported identified in the 2012 SBOA Audit was also corrected within the last quarter of 2013.

Effective immediately, an internal control system, including segregation of duties, has been designed to operate effectively so as to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected in a timely manner. Proper oversight, reviews and approvals have and will continue to take place as well as a separation of functions over certain activities related to the program.

Therefore, the Monroe County Clerk's office has established controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect on the program.

Contact information:
Rebecca Waldrip
rwaldrip@co.monroe.in.us 812-349-2820

CLERK OF THE CIRCUIT COURT
MONROE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 2, 2014, with Linda Robbins, Clerk of the Circuit Court; Chuck Huang, Financial Director; Diana Robertson, Deputy Clerk of the Circuit Court; and Rebecca Waldrip, Deputy Clerk of the Circuit Court.

The contents of this report were also discussed on December 18, 2014, with Steve Saulter, County Auditor; Patrick Stoffers, President of the Board of County Commissioners; Geoff McKim, President of the County Council; Marty Hawk, County Council member; Cheryl Munson, County Council member; R. Michael Flory, Attorney County Council; E. Jeff Cockerill, Attorney; and Angie Purdie, Commissioners' Administrator.

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COUNTY PROSECUTOR
MONROE COUNTY

COUNTY PROSECUTOR
MONROE COUNTY
FEDERAL FINDINGS

FINDING 2013-009 - INTERNAL CONTROLS AND COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO CHILD SUPPORT ENFORCEMENT

Federal Agency: U.S. Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Year (or Other Identifying Number): 1304IN4005
Pass-Through Entity: Indiana Department of Child Services

The County has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; and Reporting.

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

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

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the County.

We recommended that the County establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

FINDING 2013-011 - ALLOWABLE COSTS/COST PRINCIPLES NONCOMPLIANCE RELATING TO CHILD SUPPORT ENFORCEMENT

Federal Agency: U.S. Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Year: 1304IN4005
Pass-Through Entity: Indiana Department of Child Services

COUNTY PROSECUTOR
MONROE COUNTY
FEDERAL FINDINGS
(Continued)

The County was required to maintain time and effort reports on all full and part-time employees paid from the grant. There were no reports being maintained by the County Prosecutor's Office, which would comply with these regulations. The IV-D Court did maintain records; however, the employees did not actually sign the forms. Following the 2012 audit, the IV-D Court employees did retroactively sign the forms for 2013.

The County Prosecutor and IV-D Court Offices reported insurance benefit payments for their IV-D employees, based on a percentage of each employee's gross pay. Annually, County officials gather information and perform calculations to determine an estimated amount to charge the various County funds as a percentage of employees' gross pay for insurance benefit purposes. No written policy concerning this practice had been approved by the County.

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

- "(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.
- (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency."

OMB Circular A-87, Attachment B, item 8(d)(5) states in part:

"The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and workers compensation insurance (except as indicated in section 22, Insurance and indemnification); pension plan costs . . . are allowable, provided such benefits are granted under established written policies."

The County did not comply with compliance requirements that have a direct and material effect on the program. The failure to comply with federal guidelines could result in the loss of future federal funding.

We recommended that the County properly maintain time and effort reports paid by the program. We also recommended that the County establish a written policy concerning how insurance benefits will be charged to County funds.



Chris Gaal
Prosecuting Attorney

Charlotte T. Zietlow Justice Center
301 North College Avenue
Room 211
Bloomington, IN 47404

MAIN 812-349-2670
FAX 812-349-2725
www.monroeprosecutor.us

December 3, 2014

Finding 2013-009 - INTERNAL CONTROLS AND COMPLIANCE REQUIREMENTS THAT
HAVE A DIRECT AND MATERIAL EFFECT TO CHILD SUPPORT ENFORCEMENT

Federal Agency: Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number: 1304IN4005
Pass-Through Entity: Indiana Department of Child Services
Auditee Contact Person: Beth Hamlin
Contact Person Title: Executive Director, Monroe County Prosecutor's Office
Contact Phone Number: (812)349-2064

Corrective Action: During 2013 some internal controls were enacted in an effort to improve compliance with federal laws. Controls now in place include 1) an additional signature page for all claims submitted against child support grant dollars. By adding this second review and signature by the Grant Manager (Executive Director), the Office Manager is no longer solely responsible for the approval of claims. Before 1/1/15, language will be added to these forms by the Auditor's office specifying and acknowledging what is intended by the Grant Manager's signature. 2) requests for reimbursement from the IN DCS are now completed online and a two step review process has been instituted. The Office Manager enters the financial information into the system; the Executive Director reviews the financial information for appropriateness and correctness and authorizes the request via signature.

A handwritten signature in cursive script that reads "Chris Gaal".

Chris Gaal
Monroe County Prosecuting Attorney

12-4-2014

Date

**Chris Gaal
Prosecuting Attorney**

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Bloomington, IN 47404

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December 3, 2014

Finding 2013-011, ALLOWABLE COSTS/COST PRINCIPLES NONCOMPLIANCE
RELATING TO CHILD SUPPORT ENFORCEMENT

Federal Agency: Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number: 1304IN4005
Pass-Through Entity: Indiana Department of Child Services
Auditee Contact Person: Beth Hamlin
Contact Person Title: Executive Director, Monroe County Prosecutor's Office
Contact Phone Number: (812)349-2064

Corrective Action: Shortly after being made aware of the need for State Form 445272/DFC Form 918, Beth Hamlin and Cindy Pope discussed the need for this form to be completed. It was decided that Ms. Pope would scan all timesheets and resume use of the form mentioned above. Effective March 14, 2014 Ms. Pope had retroactively completed the required forms as requested and has continued/will continue to complete the forms monthly.

Corrective Action: Pursuant to the 2012 finding relevant to this matter, confirmation was received from Department of Child Services (Jeff Miller, Field Audit Supervisor) that the manner by which health insurance costs were attributed was acceptable to DCS. With regard to the 2013 audit finding, there currently is no written county policy concerning this practice; however, the discussion for creating such a policy has begun. A policy with regard to calculations of benefit percentages, regardless of whether or not the employee elects the benefit, is expected to be created during 2015.

A handwritten signature in cursive script, appearing to read "Chris Gaal".

Chris Gaal
Monroe County Prosecuting Attorney

Date

12-4-2014

COUNTY PROSECUTOR
MONROE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 2, 2014, with Beth Hamlin, Executive Director, County Prosecutor's Office.

The contents of this report were also discussed on December 18, 2014, with Steve Saulter, County Auditor; Patrick Stoffers, President of the Board of County Commissioners; Geoff McKim, President of the County Council; Marty Hawk, County Council; Cheryl Munson, County Council; R. Michael Flory, Attorney County Council; E. Jeff Cockerill, Attorney; and Angie Purdie, Commissioners' Administrator.

COUNTY IV-D COURT
MONROE COUNTY

COUNTY IV-D COURT
MONROE COUNTY
FEDERAL FINDINGS

FINDING 2013-009 - INTERNAL CONTROLS AND COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO CHILD SUPPORT ENFORCEMENT

Federal Agency: U.S. Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Year (or Other Identifying Number): 1304IN4005
Pass-Through Entity: Indiana Department of Child Services

The County has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; and Reporting.

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

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

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the County.

We recommended that the County establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

FINDING 2013-011 - ALLOWABLE COSTS/COST PRINCIPLES NONCOMPLIANCE RELATING TO CHILD SUPPORT ENFORCEMENT

Federal Agency: U.S. Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Year: 1304IN4005
Pass-Through Entity: Indiana Department of Child Services

COUNTY IV-D COURT
MONROE COUNTY
FEDERAL FINDINGS
(Continued)

The County was required to maintain time and effort reports on all full and part-time employees paid from the grant. There were no reports being maintained by the County Prosecutor's Office, which would comply with these regulations. The IV-D Court did maintain records; however, the employees did not actually sign the forms. Following the 2012 audit, the IV-D Court employees did retroactively sign the forms for 2013.

The County Prosecutor and IV-D Court Offices reported insurance benefit payments for their IV-D employees, based on a percentage of each employee's gross pay. Annually, County officials gather information and perform calculations to determine an estimated amount to charge the various County funds as a percentage of employees' gross pay for insurance benefit purposes. No written policy concerning this practice had been approved by the County.

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

- "(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.
- (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency."

OMB Circular A-87, Attachment B, item 8(d)(5) states in part:

"The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and workers compensation insurance (except as indicated in section 22, Insurance and indemnification); pension plan costs . . . are allowable, provided such benefits are granted under established written policies."

The County did not comply with compliance requirements that have a direct and material effect on the program. The failure to comply with federal guidelines could result in the loss of future federal funding.

We recommended that the County properly maintain time and effort reports paid by the program. We also recommended that the County establish a written policy concerning how insurance benefits will be charged to County funds.

Monroe Circuit Court

Office of Court Services

The Justice Building
301 North College Avenue
Bloomington, Indiana 47404-3865
(812)349-2615
Fax (812)349-2791

Bonnie Austin
Court Administrator

Lisa Abraham
Deputy Court Administrator

Lisa Wesemann
Public Service Coordinator

Bernice Luck
Financial Coordinator

Lorie Robinson
Case Management Coordinator

Michelle Pritchard
Court Programs Coordinator

December 2, 2014

Corrective Action Plan for:

FINDING 2013-009 INTERNAL CONTROLS AND COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO CHILD SUPPORT ENFORCEMENT

Federal Agency: Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Year (or Other Identifying Number): 1304IN4005
Pass-Through Entity: Indiana Department of Child Services

Corrective Action: Effective immediately, and retroactively to the beginning of 2014, the IV-D Court and the Court Administration office will establish Internal Controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program. Court Administration is required to have more than one individual oversee, review and approve or certify separate functions related to the Title IV-D program. The spreadsheet used to calculate allowable costs will be verified with the financial reports generated by the Auditor. The Monthly Expense Claim and Quarterly Incentive Reports will be signed and certified by someone other than the individual preparing them.

Lorie Robinson Date 12-4-2014
(Preparer of Report for IDCS)

Bonnie Austin Date 12-4-2014
(Court Administrator or Deputy Court Administrator)

Monroe Circuit Court

Office of Court Services

The Justice Building
301 North College Avenue
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Lisa Abraham
Deputy Court Administrator

Lisa Wesemann
Public Service Coordinator

Bernice Luck
Financial Coordinator

Lorie Robinson
Case Management Coordinator

Michelle Pritchard
Court Programs Coordinator

December 2, 2014

Corrective Action Plan for:

FINDING 2013-011 . ALLOWABLE COSTS/COST PRINCIPLES NONCOMPLIANCE RELATING TO CHILD SUPPORT ENFORCEMENT

Federal Agency: Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Year (or Other Identifying Number): 1304IN4005
Pass-Through Entity: Indiana Department of Child Services

Corrective Action: Effective immediately, and retroactively to the beginning of 2013, the IV-D Court and the Court Administration office will comply with allowable costs requirements that have a direct and material effect on the program. The county is required to maintain time and effort reports on all full and part-time employees whose salaries are reimbursed by the grant. The IV-D Court uses the Department of Child Services recommended report titled "Record of Monthly Time, State Form 45272 (3-92)/DFC Form 918" from the IV-D Expense Reporting and Reimbursement Guide. This form provides a space for employees to enter allowable hours worked each day during the month and a place to sign at the bottom to certify the reported hours represent only Title IV-D work and are true and correct. The Preparer of the Report will verify each employee's signature on the monthly report and retain the original document or a scanned copy. Additionally, the reporting of insurance benefits for IV-D employees based on a percentage of each employee's gross pay is the accepted method used by the County for charging various County funds for insurance benefits. Court Administration will request a written policy approved by the County for such.

Lorie Robinson Date 12-4-2014
(Preparer of Report for IDCS)

Bonnie Austin Date 12-4-2014
(Court Administrator or Deputy Court Administrator)

COUNTY IV-D COURT
MONROE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 2, 2014, with Lorie Robinson, Caseflow Coordinator - Courts.

The contents of this report were also discussed on December 18, 2014, with Steve Saulter, County Auditor; Patrick Stoffers, President of the Board of County Commissioners; Geoff McKim, President of the County Council; Marty Hawk, County Council member; Cheryl Munson, County Council member; R. Michael Flory, Attorney County Council; E. Jeff Cockerill, Attorney; and Angie Purdie, Commissioners' Administrator.

COUNTY AIRPORT
MONROE COUNTY

COUNTY AIRPORT
MONROE COUNTY
FEDERAL FINDINGS

FINDING 2013-006 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO AIRPORT IMPROVEMENT PROGRAM

Federal Agency: U.S. Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106
Federal Award Number and Year (or Other Identifying Number): 3-18-0006-028, 3-18-0006-029

The County has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Cash Management; Davis-Bacon Act; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; Reporting; and Special Tests and Provisions.

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

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

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the County.

We recommended that the County establish controls, including segregation of duties, related to the grant agreement and the compliance requirements that have a direct and material effect to the program.

FINDING 2013-007 - EQUIPMENT AND REAL PROPERTY MANAGEMENT - AIRPORT IMPROVEMENT PROGRAM

Federal Agency: U.S. Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106
Federal Award Number and Year (or Other Identifying Number): 3-18-0006-28, 3-18-0006-029

COUNTY AIRPORT
MONROE COUNTY
FEDERAL FINDINGS
(Continued)

The County did not establish an effective internal control system, which would include segregation of duties, related to the grant agreement and the Equipment and Real Property Management compliance requirement. 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 of capital asset records, inventories of capital assets, and approvals over the activities of the program.

The County does not have adequate property records that identify equipment, improvements to property, and real property acquired with federal grant funds. A physical inventory was not conducted every two years as required by federal guidelines.

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."

49 CFR 18.32(d) states in part:

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

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years."

Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the County.

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



Finding 2013-006 Internal Controls over Compliance Requirements that have a direct and material effect to Airport Improvement Program.

Federal Agency: U.S. Department of Transportation

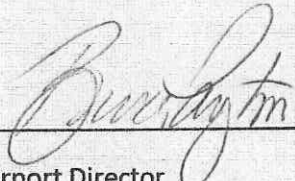
Federal Program: Airport Improvement Program

CFDA Number: 20.106

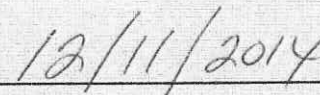
Federal Award Number and Year (or other identifying Number):

3-18-0006-28; 3-18-0006-29; 2013

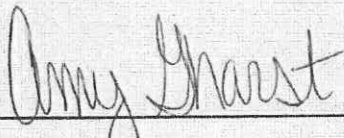
Corrective Action: Effective immediately, the Airport Director and Airport Administrative Assistant will establish Internal Controls so that we may remain in compliance with Federal Laws. Monroe County Airport has already begun the process toward developing a plan to segregate duties related to the grant agreements and all compliance requirements that have a direct and material effect to the program listed above.




Airport Director



Date



Airport Administrative Assistant



Date

Monroe County Airport
972 South Kirby Road
Bloomington, Indiana 47401
bmj@bluemarble.net
812-825-5406 phone
812-825-6306 fax



Finding 2013-007: Equipment and Real Property Management – Airport Improvement Program

Federal Agency: U.S. Department of Transportation

Federal Program: Airport Improvement Program


CFDA Number: 20.106

Federal Award Number and Year (or other identifying Number):

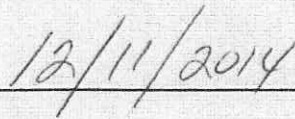
3-18-0006-28, 3-18-0006-29 2013

Corrective Action:

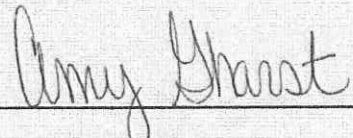
Effective immediately, the Airport Director and Airport Administrative Assistant will update our internal controls concerning the review and maintenance of capital asset records that identify equipment, improvements to property and real property acquired with federal grant funds.



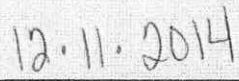
Airport Director



Date



Airport Administrative Assistant



Date

Monroe County Airport
972 South Kirby Road
Bloomington, Indiana 47401
bm@bluemarble.net
812-825-5406 phone
812-825-6306 fax

COUNTY AIRPORT
MONROE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2014, with Bruce Payton, Airport Director; Amy Gharst, Administrative Assistant; Steve Saulters, County Auditor; Patrick Stoffers, President of the Board of County Commissioners; Geoff McKim, President of the County Council; Marty Hawk, County Council member; Cheryl Munson, County Council member; R. Michael Flory, Attorney County Council; E. Jeff Cockerill, Attorney; and Angie Purdie, Commissioners' Administrator.

COUNTY HIGHWAY
MONROE COUNTY

COUNTY HIGHWAY
MONROE COUNTY
FEDERAL FINDING

FINDING 2013-008 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO HIGHWAY PLANNING AND CONSTRUCTION

Federal Agency: U.S. Department of Transportation
Federal Program: Highway Planning and Construction
CFDA Number: 20.205

Federal Award Number and Year (or Other Identifying Number): DES 1173326, DES 0901932,
DES 9953008, DES 0301007,
DES 0800768, DES 1172115,
DES 1297633

Pass-Through Entity: Indiana Department of Transportation

The County has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; Reporting; and Special Tests and Provisions.

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

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

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the County.

We recommended that the County establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

Finding 2013-008 - Internal Controls and Compliance Requirements that have a direct and material effect to Highway Planning and Construction

Federal Agency: US Department of Transportation

Federal Program: Highway Planning and Construction

CFDA Number: 20.205

Federal Award Number and Year: DES 1173326, DES 9953008, DES 0901932, DES 9953008, DES 0301007, DES 0800768, DES 080768, DES 1172115, DES 1297633

Pass Through Agency: Indiana Department of Transportation

Corrective Action: Effective immediately, an internal control system, including segregation of duties, has been designed to operate effectively so as to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected, in a timely manner. Proper oversight, reviews and approvals have and will continue to take place as well as a separation of functions over certain activities related to the program.

Therefore, the Monroe County Highway Department has established controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect on the program.

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COUNTY HIGHWAY
MONROE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2014, with Bill Williams, Public Works Director/Highway Engineer; Steve Saulter, County Auditor; Patrick Stoffers, President of the Board of County Commissioners; Geoff McKim, President of the County Council; Marty Hawk, County Council member; Cheryl Munson, County Council member; R. Michael Flory, Attorney County Council; E. Jeff Cockerill, Attorney; and Angie Purdie, Commissioners' Administrator.

BOARD OF COUNTY COMMISSIONERS
MONROE COUNTY

BOARD OF COUNTY COMMISSIONERS
MONROE COUNTY
FEDERAL FINDINGS

FINDING 2013-012 - INTERNAL CONTROLS AND NONCOMPLIANCE OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO FORMULA GRANTS FOR RURAL AREAS

Federal Agency: U.S. Department of Transportation
Federal Program: Formula Grants for Rural Areas
CFDA Number: 20.509
Federal Award Number and Year (or Other Identifying Number): A249-12-320309, A249-13-320293
Pass-Through Entity: Indiana Department of Transportation

The County has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Allowable Costs/Cost Principles, Cash Management, Procurement and Suspension and Debarment, Reporting, and Subrecipient Monitoring. 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 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.

In addition to the lack of internal control noted above, we identified material noncompliance related to Subrecipient Monitoring. We found that the County had not planned for the Subrecipient Monitoring responsibilities. The County did not have written plans that described how and by whom all of its pass-through responsibilities would be met. As a result, proper Subrecipient Monitoring was not conducted by the County. We also found that the County did not provide the CFDA title and number and the federal award name and number to its subrecipient.

The County did not perform on-site visits or receive sufficient information that would ensure that the subrecipient was properly following the guidelines of the grant agreement or the compliance requirements.

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:

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

- (1) Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of Federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award.
- (2) Advise subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity.

BOARD OF COUNTY COMMISSIONERS
MONROE COUNTY
FEDERAL FINDINGS
(Continued)

- (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.
- (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.
- (6) Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records.
- (7) Require each subrecipient to permit the pass-through entity and auditors to have access to the records and financial statements as necessary for the pass-through entity to comply with this part."

The failure to monitor and provide federal award information to put the County in the subrecipient noncompliance with the grant agreement and the compliance requirements that have a direct and material effect on the program and could result in the loss of federal funds to the County.

We recommended that the County establish procedures to ensure compliance with the requirements that have a direct and material effect on the program.

FINDING 2013-013 - INTERNAL CONTROLS AND COMPLIANCE OVER EQUIPMENT AND REAL PROPERTY RELATING TO FORMULA GRANTS FOR RURAL AREAS

Federal Agency: U.S. Department of Transportation

Federal Program: Formula Grants for Rural Areas

CFDA Number: 20.509

Federal Award Number and Year (or Other Identifying Number): A249-12-320309A, A249-13-320293

Pass-Through Entity: Indiana Department of Transportation

The County does not have adequate property records that identify equipment acquired with federal grant funds. Revised property records were presented for audit; however, those records were obtained from the subrecipient. No physical inventory or reconciling the physical inventory to the original acquisition records had been done. There was no identification of the equipment as being purchased with federal grant funds.

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."

BOARD OF COUNTY COMMISSIONERS
MONROE COUNTY
FEDERAL FINDINGS
(Continued)

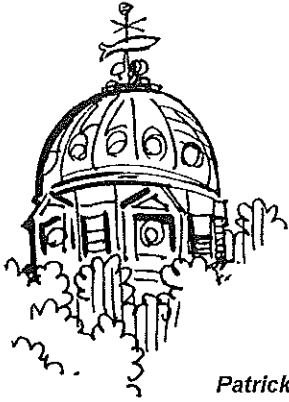
49 CFR 18.32(d) states:

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

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

Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the County.

We recommended that the County establish controls, including segregation of duties, and procedures related to the grant agreement, and Equipment and Real Property Management compliance requirements to ensure compliance with related requirements.



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Patrick Stoffers, President

Iris Kiesling, Vice President

Julie L. Thomas, Member

December 9, 2014

FINDING 2013-012 INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT MATERIAL EFFECT TO FORMULA GRANTS FOR RURAL AREAS

Federal Agency: U.S. Departments of Transportation

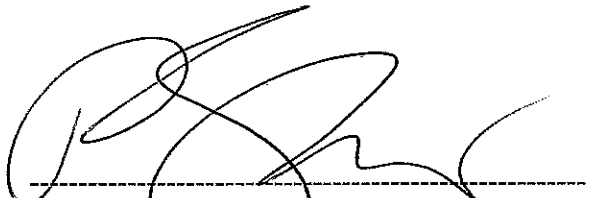
Federal Program: Formula Grants for Rural Areas

CFDS Number: 20.509

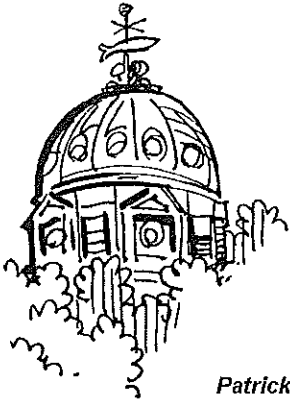
Federal Award Number and Year (or Other Identifying Number) A249-12-320309A; A249-13-320293

Pass-Through Entity: Indiana Department of Transportation

Corrective Action Plan: Effective immediately and will not be apparent until 2015 (as there is insufficient time to apply in 2014), the Monroe County Board of Commissioners have initiated an internal control system, including segregation of duties in the oversight of the Section 5311 Federal Rural and Small Urban Transit Assistance program at Area 10 Agency on Aging/ Rural Transit.



Patrick Stoffers, President
Monroe County Board of Commissioners



OFFICE OF
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December 9, 2014

FINDING 2013-013 INTERNAL CONTROLS AND COMPLIANCE OVER EQUIPMENT AND REAL PROPERTY RELATING TO FORMULA GRANTS FOR RURAL AREAS

Federal Agency: U.S. Departments of Transportation

Federal Program: Formula Grants for Rural Areas

CFDS Number: 20.509

Federal Award Number and Year (or Other Identifying Number) A249-12-320309A; A249-13-320293

Pass-Through Entity: Indiana Department of Transportation

Corrective Action Plan: Effective immediately and reportable in 2015 (as there is insufficient time to apply in 2014), the Monroe County Board of Commissioners will establish controls to ensure the compliance of accurate reporting and accounting of equipment and real property as per 49 CFR 18.32



Patrick Stoffers, President
Monroe County Board of Commissioners

BOARD OF COUNTY COMMISSIONERS
MONROE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2014, with Steve Saulters, County Auditor; Patrick Stoffers, President of the Board of County Commissioners; Geoff McKim, President of the County Council; Marty Hawk, County Council member; Cheryl Munson, County Council member; R. Michael Flory, Attorney County Council; E. Jeff Cockerill, Attorney; and Angie Purdie, Commissioners' Administrator.

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COUNTY SHERIFF
MONROE COUNTY

COUNTY SHERIFF
MONROE COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS

We noted several deficiencies in the internal control system of the County Sheriff's Office related to financial activities. There were no procedures in place to ensure that bank reconciliations were performed and reviewed/approved by someone other than the specific staff person who prepared them. In addition, there were no documented reviews and/or approvals of the various financial records by someone other than the specific Sheriff's staff person who kept that specific set of financial records.

BANK ACCOUNT RECONCILIATIONS

Cash Book - Training Fund

Depository reconciliations of the fund balances to the bank account balances for the Sheriff's Cash Book - Training Fund were not done during the audit period. During the audit, we performed a cursory bank reconciliation for the Cash Book - Training Fund account and determined the bank balance was long when compared to the book balance by \$1,473.

Credit card transactions for tax warrants were processed through the Cash Book - Training Fund bank account; however, these amounts were not accounted for on the Cash Book - Training Fund.

There also was no documented reconciliation of the credit card payments to the specific deposit being made for each of these credit card payments.

Tax Warrants

Depository reconciliations of the fund balances to the bank account balances for the Tax Warrants account were not completed during the audit period. During the audit, we performed a cursory bank reconciliation and determined that the bank balance was cash short when compared to the book balance by \$227.

Cash Bonds

Depository reconciliations of the fund balances to the bank account balances were completed; however, the reconciliation that was tested for December 31, 2013, contained errors. The supporting documentation provided did not agree to the amounts reported on the bank reconciliation; the staff member over the Cash Bond account then recreated the reconciliation supporting documentation.

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."

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

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)

COUNTY SHERIFF
MONROE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2014, with Steve Saulter, County Auditor; Patrick Stoffers, President of the Board of County Commissioners; Geoff McKim, President of the County Council; Marty Hawk, County Council member; Cheryl Munson, County Council member; R. Michael Flory, Attorney County Council; E. Jeff Cockerill, Attorney; and Angie Purdie, Commissioners' Administrator.

The contents of this report were also discussed on December 19, 2014, with Scott McGlocklin, Personnel/Financial Manager.