

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MARSHALL COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
02/24/2016

TABLE OF CONTENTS

| <u>Description</u> | <u>Page</u> |
|---|-------------|
| Schedule of Officials | 2 |
| Transmittal Letter | 3 |
| County Auditor: | |
| Federal Finding: | |
| Finding 2014-001 - Financial Transactions and Reporting | 6-7 |
| Corrective Action Plan | 8 |
| Audit Results and Comments: | |
| Credit Cards | 9 |
| County Settlement..... | 10 |
| Official Response..... | 11 |
| Exit Conference | 12 |
| County Treasurer: | |
| Federal Finding: | |
| Finding 2014-001 - Financial Transactions and Reporting | 14-15 |
| Corrective Action Plan | 16 |
| Exit Conference | 17 |
| Clerk of the Circuit Court: | |
| Federal Finding: | |
| Finding 2014-001 - Financial Transactions and Reporting | 20-21 |
| Corrective Action Plan | 22 |
| Exit Conference | 23 |
| County Sheriff: | |
| Federal Finding: | |
| Finding 2014-001 - Financial Transactions and Reporting | 26-27 |
| Corrective Action Plan | 28 |
| Exit Conference | 29 |

SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---|----------------------|----------------------|
| County Auditor | Penny A. Lukenbill | 01-01-11 to 12-31-14 |
| | Julie A. Fox | 01-01-15 to 12-31-18 |
| County Treasurer | Deborah P. VandeMark | 01-11-13 to 12-31-14 |
| | Penny A. Lukenbill | 01-01-15 to 12-31-18 |
| Clerk of the Circuit Court | Julie A. Fox | 01-01-11 to 12-31-14 |
| | Deborah P. VanDeMark | 01-01-15 to 12-31-18 |
| County Sheriff | Thomas G. Chamberlin | 01-01-11 to 08-28-15 |
| | William Cleavenger | 08-29-15 to 09-30-15 |
| | Matthew K. Hassel | 09-30-15 to 12-31-18 |
| County Recorder | Marlene K. Mahler | 01-01-11 to 12-31-18 |
| President of the Board of County Commissioners | Kevin G. Overmyer | 01-01-13 to 12-31-16 |
| President of the County Council | Matthew K. Hassel | 01-01-13 to 09-30-15 |
| | Don Morrison | 10-01-15 to 12-31-15 |
| | Judith Stone | 01-01-16 to 12-31-16 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF MARSHALL COUNTY, INDIANA

This report is supplemental to our audit report of Marshall County (County), for the period from January 1, 2014 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the County, which provides our opinions on the County's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Finding, identified in the above referenced audit report, is 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 Finding and Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

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

January 5, 2016

(This page intentionally left blank.)

COUNTY AUDITOR
MARSHALL COUNTY

COUNTY AUDITOR
MARSHALL COUNTY
FEDERAL FINDING

FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING

The County did not have a proper system of internal controls in place to prevent, or detect and correct, errors in the preparation of the financial statement or the Schedule of Expenditures of Federal Awards (SEFA). The County should have proper controls in place over the preparation of the financial statement and SEFA to ensure accurate and reliable reporting of the County's financial activity. In addition, proper internal control requires sufficient oversight, review, and approval to ensure complete and accurate financial reporting. Due to the lack of internal controls, material misstatements within the financial statement and SEFA were undetected.

The County has not separated incompatible activities related to cash and investments and receipts. Daily receipts in the County Treasurer's Office are collected and deposited by the same employee who also performs the bank reconciliation. There is no segregation of duties, such as an oversight, review, or approval process.

The County Sheriff's Department has not separated incompatible activities related to cash and investments, receipts, and disbursements of the Sheriff's Inmate Trust Fund. Deposits are processed by the same employee who issues checks and performs the bank reconciliation. There is no segregation of duties, such as an oversight, review, or approval process.

The Clerk of the Circuit Court's Office has not separated incompatible activities related to cash and investments. Daily deposits of receipts in the Clerk of the Circuit Court's Office are prepared by the same employee who performs the monthly bank reconciliation. There is no segregation of duties, such as an oversight, review, or approval process.

The County Auditor is required to report all financial information in the Gateway Annual Financial Report (AFR). This information is used to compile the financial statement and SEFA. The County Auditor independently prepared and submitted the financial activity through the Gateway system without any oversight, review, or approval process.

The financial statement presented for audit contained material errors and did not properly reflect the financial activity of the County. Both receipts and disbursements of the Motor Vehicle Highway fund were overstated by \$2,539,556. Audit adjustments were proposed, accepted by the County, and included in the financial statement included in this report.

The SEFA included in this report contained the following errors:

1. Expenditures reported for several grants included the state portion.
2. Two grants were included which were applicable to the prior audit period.
3. Amounts paid to subrecipients were not disclosed in the Notes to the SEFA.

The net effect of the errors in the SEFA was that the expenditures of federal awards were overstated by \$1,420,215. Audit adjustments were proposed, accepted by the County, and included in the financial statement included in this report.

The failure to monitor the internal control system places the County at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, misstatements in a timely manner. Effective internal controls over financial reporting require the County to monitor and assess the quality of the system of internal control.

COUNTY AUDITOR
MARSHALL COUNTY
FEDERAL FINDING
(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 Counties of Indiana, Chapter 1) (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 10) (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14) (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 13)

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 in part:

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available."

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."



Julie A. Fox
Marshall County Auditor
112 W. Jefferson St., Room 205
Plymouth, IN 46563

Phone: 574-935-8555

Email: julief@co.marshall.in.us

Fax: 574-935-4863

CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for Corrective Action: Julie A. Fox
Contact Phone Number: (574) 935-8555

Description of Corrective Action Plan: Utilizing a Grant Summary worksheet to accurately reflect the state and federal portions of those grants which include funds from both entities. The Marshall County Auditor will maintain copies of the vouchers received by the sub-recipients, indicating the separate amounts contributed by each entity. The grant summaries, vouchers and quietus will then be used to verify each grant in preparing the SEFA for the county annual report and verified by someone other than the person preparing the report.

The Annual Financial Report will also be verified by someone other than the person preparing the report.

Anticipated Completion Date: January 5, 2016.



(Signature)

Marshall County Auditor

(Title)

January 5, 2016

(Date)

COUNTY AUDITOR
MARSHALL COUNTY
AUDIT RESULTS AND COMMENTS

CREDIT CARDS

The County used credit cards to purchase items but did not follow the approved credit card policy. Most credit card claims were paid on the basis of the credit card slips only which show the date and total amount of the transaction but provide no detail of what was purchased. In addition, credit card statements were received and held by the department heads utilizing the credit cards and not provided to the County Auditor's Office. One credit card claim was paid on the basis of the information on the credit card statement with no detail receipts. Additionally, one credit card claim was paid on the basis of a project estimate rather than a detail receipt documenting the actual charges.

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

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

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

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR
MARSHALL COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

COUNTY SETTLEMENT

The County has not implemented the new chart of accounts for counties that went into effect on January 1, 2012. A uniform settlement fund, number 6000, was to be established to account for property taxes receipted in and disbursed to the local taxing units at tax settlement; however, that fund has not been created. In addition, the County did not disburse all monies receipted into the Sewage Collections fund (6042) which should have been disbursed to the sewage utilities at settlement. The County maintains a balance in the Homestead Credit Rebate fund (6104) and that fund should have been closed out in 2011 and any returned or uncashed homestead rebate checks should have been remitted to the Attorney General as abandoned property.

All counties must implement the use of the new chart of accounts by January 1, 2012. (County Bulletin, January 2011, Vol No. 376, pg 3) The new chart of accounts implementation was extended to January 1, 2013. (County Bulletin, January 2012, Vol No. 381, pg 11)

A chart of accounts is a listing of account titles, with numerical symbols, employed in the compilation of financial data. It also serves to facilitate processing of claims, warrants and other documents and as a convenience in posting ledgers.

A numerical coding system has been established for use in accounting for funds, revenues, appropriations and expenditures, which is adaptable to all counties having manual or mechanized accounting systems, as distinguished from electronic data processing. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 5)

Indiana Code 36-9-23-33(k) states:

"At the time of each semiannual tax settlement, the county treasurer shall certify to the county auditor all fees, charges, and penalties that have been collected. The county auditor shall deduct the service charges and certification fees collected by the county treasurer and pay over to the officer the remaining fees and penalties due the municipality. The county treasurer shall retain the service charges and certification fees that have been collected, and shall deposit them in the county general fund."

Indiana Code 32-34-1-20(c) states in part:

"Property that is held, issued, or owed in the ordinary course of a holder's business is presumed abandoned if the owner or apparent owner has not communicated in writing with the holder concerning the property or has not otherwise given an indication of interest in the property during the following times: . . .

- (7) For property held by a state or other government, governmental subdivision or agency, or public corporation or other public authority, one (1) year after the property becomes distributable."



Julie A. Fox
Marshall County Auditor
112 W. Jefferson St., Room 205
Plymouth, IN 46563

Phone: 574-935-8555

Email: julief@co.marshall.in.us

Fax: 574-935-4863

January 5, 2016

Ms. Lisa David
State Board of Accounts
302 West Washington Street.
Room E 418
Indianapolis, Indiana 46204-2765

Via Electronic Mail: ldavid@sboa.in.gov

Dear Ms. David,

In response to the State Board of Accounts comments in the Supplemental Compliance Report. Please find this as the "Official Response" to the 2014 Marshall County Federal Audit regarding credit cards and county settlement.

OFFICIAL RESPONSE

Description of Corrective Action Plan:

Credit Cards: The detailed invoice and credit card receipt are required to be submitted with the claim voucher for payment. This policy was enacted in November of 2015.

County Settlement: County funds were converted in October, 2014 to align with State Board of Accounts new chart of accounts. Settlement accounts were created in the 6000 series and will be adjusted to the uniform settlement fund number 6000, the adjustment shall be completed in 2016. The undistributed funds have been disbursed in the December 2015 settlement.

Sincerely,

Julie A. Fox, Auditor
Marshall County

COUNTY AUDITOR
MARSHALL COUNTY
EXIT CONFERENCE

The contents of this report were discussed on January 5, 2016, with Julie A. Fox, County Auditor, and Kevin G. Overmyer, President of the Board of County Commissioners.

COUNTY TREASURER
MARSHALL COUNTY

COUNTY TREASURER
MARSHALL COUNTY
FEDERAL FINDING

FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING

The County did not have a proper system of internal controls in place to prevent, or detect and correct, errors in the preparation of the financial statement or the Schedule of Expenditures of Federal Awards (SEFA). The County should have proper controls in place over the preparation of the financial statement and SEFA to ensure accurate and reliable reporting of the County's financial activity. In addition, proper internal control requires sufficient oversight, review, and approval to ensure complete and accurate financial reporting. Due to the lack of internal controls, material misstatements within the financial statement and SEFA were undetected.

The County has not separated incompatible activities related to cash and investments and receipts. Daily receipts in the County Treasurer's Office are collected and deposited by the same employee who also performs the bank reconciliation. There is no segregation of duties, such as an oversight, review, or approval process.

The County Sheriff's Department has not separated incompatible activities related to cash and investments, receipts, and disbursements of the Sheriff's Inmate Trust Fund. Deposits are processed by the same employee who issues checks and performs the bank reconciliation. There is no segregation of duties, such as an oversight, review, or approval process.

The Clerk of the Circuit Court's Office has not separated incompatible activities related to cash and investments. Daily deposits of receipts in the Clerk of the Circuit Court's Office are prepared by the same employee who performs the monthly bank reconciliation. There is no segregation of duties, such as an oversight, review, or approval process.

The County Auditor is required to report all financial information in the Gateway Annual Financial Report (AFR). This information is used to compile the financial statement and SEFA. The County Auditor independently prepared and submitted the financial activity through the Gateway system without any oversight, review, or approval process.

The financial statement presented for audit contained material errors and did not properly reflect the financial activity of the County. Both receipts and disbursements of the Motor Vehicle Highway fund were overstated by \$2,539,556. Audit adjustments were proposed, accepted by the County, and included in the financial statement included in this report.

The SEFA included in this report contained the following errors:

1. Expenditures reported for several grants included the state portion.
2. Two grants were included which were applicable to the prior audit period.
3. Amounts paid to subrecipients were not disclosed in the Notes to the SEFA.

The net effect of the errors in the SEFA was that the expenditures of federal awards were overstated by \$1,420,215. Audit adjustments were proposed, accepted by the County, and included in the financial statement included in this report.

The failure to monitor the internal control system places the County at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, misstatements in a timely manner. Effective internal controls over financial reporting require the County to monitor and assess the quality of the system of internal control.

COUNTY TREASURER
MARSHALL COUNTY
FEDERAL FINDING
(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 Counties of Indiana, Chapter 1) (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 10) (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14) (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 13)

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 in part:

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available."

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."



TREASURER OF MARSHALL COUNTY

Penny Lukenbill
112 W. Jefferson Street
Room 206
Plymouth, IN 46563

Phone 574/935-8520

Fax: 574/935-4247

CORRECTIVE ACTION PLAN

Re: Finding 2014-001

Contact Person Responsible for Corrective Action:

Penny Lukenbill
Marshall County Treasurer
Contact Phone Number: 574-935-8518

The Marshall County Treasurer will develop a written policy detailing the oversight, review and approval processes already in place, to further clarify and document the segregation of duties in the Treasurer's Office.

Anticipated completion date: January 31, 2016

Penny Lukenbill
Marshall County Treasurer
January 5, 2016

COUNTY TREASURER
MARSHALL COUNTY
EXIT CONFERENCE

The contents of this report were discussed on January 5, 2016, with Penny A. Lukenbill, County Treasurer, and Kevin G. Overmyer, President of the Board of County Commissioners.

(This page intentionally left blank.)

CLERK OF THE CIRCUIT COURT
MARSHALL COUNTY

CLERK OF THE CIRCUIT COURT
MARSHALL COUNTY
FEDERAL FINDING

FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING

The County did not have a proper system of internal controls in place to prevent, or detect and correct, errors in the preparation of the financial statement or the Schedule of Expenditures of Federal Awards (SEFA). The County should have proper controls in place over the preparation of the financial statement and SEFA to ensure accurate and reliable reporting of the County's financial activity. In addition, proper internal control requires sufficient oversight, review, and approval to ensure complete and accurate financial reporting. Due to the lack of internal controls, material misstatements within the financial statement and SEFA were undetected.

The County has not separated incompatible activities related to cash and investments and receipts. Daily receipts in the County Treasurer's Office are collected and deposited by the same employee who also performs the bank reconciliation. There is no segregation of duties, such as an oversight, review, or approval process.

The County Sheriff's Department has not separated incompatible activities related to cash and investments, receipts, and disbursements of the Sheriff's Inmate Trust Fund. Deposits are processed by the same employee who issues checks and performs the bank reconciliation. There is no segregation of duties, such as an oversight, review, or approval process.

The Clerk of the Circuit Court's Office has not separated incompatible activities related to cash and investments. Daily deposits of receipts in the Clerk of the Circuit Court's Office are prepared by the same employee who performs the monthly bank reconciliation. There is no segregation of duties, such as an oversight, review, or approval process.

The County Auditor is required to report all financial information in the Gateway Annual Financial Report (AFR). This information is used to compile the financial statement and SEFA. The County Auditor independently prepared and submitted the financial activity through the Gateway system without any oversight, review, or approval process.

The financial statement presented for audit contained material errors and did not properly reflect the financial activity of the County. Both receipts and disbursements of the Motor Vehicle Highway fund were overstated by \$2,539,556. Audit adjustments were proposed, accepted by the County, and included in the financial statement included in this report.

The SEFA included in this report contained the following errors:

1. Expenditures reported for several grants included the state portion.
2. Two grants were included which were applicable to the prior audit period.
3. Amounts paid to subrecipients were not disclosed in the Notes to the SEFA.

The net effect of the errors in the SEFA was that the expenditures of federal awards were overstated by \$1,420,215. Audit adjustments were proposed, accepted by the County, and included in the financial statement included in this report.

The failure to monitor the internal control system places the County at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, misstatements in a timely manner. Effective internal controls over financial reporting require the County to monitor and assess the quality of the system of internal control.

CLERK OF THE CIRCUIT COURT
MARSHALL COUNTY
FEDERAL FINDING
(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 Counties of Indiana, Chapter 1) (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 10) (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14) (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 13)

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 in part:

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available."

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."



Marshall Circuit and Superior Courts

Deborah VanDeMark, Clerk

211 West Madison Street, Plymouth, IN 46563

Telephone: 574-936-8922

Fax: 574-936-8893

CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for Corrective Action: - Deborah VanDeMark

Contact Phone Number: 574-935-8701

Description of Corrective Action Plan:

The Clerk's office will segregate the duties between the person preparing the daily deposits and the person performing the monthly bank reconciliation.

Anticipated Completion Date:

January 2016

Deborah VanDeMark

(Signature)

Marshall County Clerk

(Title)

January 5, 2016

(Date)

CLERK OF THE CIRCUIT COURT
MARSHALL COUNTY
EXIT CONFERENCE

The contents of this report were discussed on January 5, 2016, with Deborah P. VanDeMark, Clerk of the Circuit Court, and Kevin G. Overmyer, President of the Board of County Commissioners.

(This page intentionally left blank.)

COUNTY SHERIFF
MARSHALL COUNTY

COUNTY SHERIFF
MARSHALL COUNTY
FEDERAL FINDING

FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING

The County did not have a proper system of internal controls in place to prevent, or detect and correct, errors in the preparation of the financial statement or the Schedule of Expenditures of Federal Awards (SEFA). The County should have proper controls in place over the preparation of the financial statement and SEFA to ensure accurate and reliable reporting of the County's financial activity. In addition, proper internal control requires sufficient oversight, review, and approval to ensure complete and accurate financial reporting. Due to the lack of internal controls, material misstatements within the financial statement and SEFA were undetected.

The County has not separated incompatible activities related to cash and investments and receipts. Daily receipts in the County Treasurer's Office are collected and deposited by the same employee who also performs the bank reconciliation. There is no segregation of duties, such as an oversight, review, or approval process.

The County Sheriff's Department has not separated incompatible activities related to cash and investments, receipts, and disbursements of the Sheriff's Inmate Trust Fund. Deposits are processed by the same employee who issues checks and performs the bank reconciliation. There is no segregation of duties, such as an oversight, review, or approval process.

The Clerk of the Circuit Court's Office has not separated incompatible activities related to cash and investments. Daily deposits of receipts in the Clerk of the Circuit Court's Office are prepared by the same employee who performs the monthly bank reconciliation. There is no segregation of duties, such as an oversight, review, or approval process.

The County Auditor is required to report all financial information in the Gateway Annual Financial Report (AFR). This information is used to compile the financial statement and SEFA. The County Auditor independently prepared and submitted the financial activity through the Gateway system without any oversight, review, or approval process.

The financial statement presented for audit contained material errors and did not properly reflect the financial activity of the County. Both receipts and disbursements of the Motor Vehicle Highway fund were overstated by \$2,539,556. Audit adjustments were proposed, accepted by the County, and included in the financial statement included in this report.

The SEFA presented for audit contained the following errors:

10. Expenditures reported for several grants included the state portion.
11. Two grants were included which were applicable to the prior audit period.
12. Amounts paid to subrecipients were not disclosed in the Notes to the SEFA.

The net effect of the errors in the SEFA was that the expenditures of federal awards were overstated by \$1,420,215. Audit adjustments were proposed, accepted by the County, and included in the financial statement included in this report.

The failure to monitor the internal control system places the County at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, misstatements in a timely manner. Effective internal controls over financial reporting require the County to monitor and assess the quality of the system of internal control.

COUNTY SHERIFF
MARSHALL COUNTY
FEDERAL FINDING
(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 Counties of Indiana, Chapter 1) (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 10) (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14) (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 13)

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 in part:

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available."

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."



Sheriff Matthew Hassel
Marshall County Sheriff's Department

1400 Pioneer Dr.
Plymouth, IN 46563
Telephone (574) 936-3187 Facsimile (574) 936-3264

CORRECTIVE ACTION PLAN

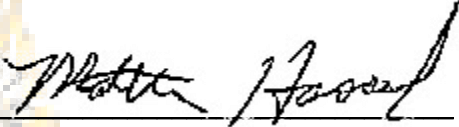
FINDING 2014-001

Contact Person Responsible for Corrective Action: Sheriff Matthew Hassel
Contact Phone Number: (574) 936-3187, Ext. 222

Description of Corrective Action Plan:

1. To create a separation of duties and additional oversight, the monthly Inmate Trust Account reconciliation will now be completed by an employee other than the one performing deposits. Once reconciliation is completed, the employee who performs deposits, will review the documentation and, if correct, sign off on the bank statement.

Anticipated Completion Date: Friday January 15th, 2016



Matthew Hassel

(Signature)

Sheriff

(Title)

January 5th, 2016

(Date)

COUNTY SHERIFF
MARSHALL COUNTY
EXIT CONFERENCE

The contents of this report were discussed on January 5, 2016, with Matthew K. Hassell, County Sheriff, and Kevin G. Overmyer, President of the Board of County Commissioners.