

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MONROE COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
11/18/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Steve Saulter	01-01-13 to 07-08-16
	(Vacant)	07-09-16 to 07-28-16
	Therese K. Chambers	07-29-16 to 12-31-16
County Treasurer	Catherine C. Smith	01-01-13 to 12-31-16
Clerk of the Circuit Court	Linda Robbins	01-01-11 to 03-04-16
	(Vacant)	03-05-16 to 03-20-16
	Nicole Browne	03-21-16 to 12-31-18
County Sheriff	James Kennedy	01-01-11 to 12-31-14
	Brad Swain	01-01-15 to 12-31-18
County Recorder	Jim Fielder (deceased)	01-01-11 to 05-24-14
	(Vacant)	05-25-14 to 06-18-14
	Jeff Ellington	06-19-14 to 12-31-14
	Eric Schmitz	01-01-15 to 12-31-18
County Prosecuting Attorney	Chris Gaal	01-01-11 to 12-31-18
President of the Board of County Commissioners	Patrick Stoffers	01-01-14 to 12-31-14
	Julie Thomas	01-01-15 to 12-31-15
	Patrick Stoffers	01-01-16 to 12-31-16
President of the County Council	Geoff McKim	01-01-14 to 12-31-14
	Cheryl Munson	01-01-15 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

September 13, 2016

COUNTY AUDITOR
MONROE COUNTY

COUNTY AUDITOR
MONROE COUNTY
FEDERAL FINDINGS

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

The County did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could have remained undetected.

During the audit of the SEFA, there were incorrect expenditures reported for several programs as follows:

- Juvenile Accountability Block Grants (CFDA 16.523) was overstated \$7,700.
- Crime Victim Assistance (CFDA 16.575) was overstated \$30,177.
- Highway Planning and Construction (CFDA 20.205) was overstated \$13,201.
- National Infrastructure Investments (CFDA 20.933) was understated \$86,959.
- Formula Grants for Rural Areas (CFDA 20.509) was overstated \$375,366.
- Medical Reserve Corps Small Grant Program (CFDA 93.008) was overstated \$5,895.
- Child Support Enforcement (CFDA 93.563) was understated \$85,955.
- Social Services Block Grant (CFDA 93.667) was overstated \$111,801.

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

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:

COUNTY AUDITOR
MONROE COUNTY
FEDERAL FINDINGS
(Continued)

- (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.
- (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."

***FINDING 2014-002 - INTERNAL CONTROLS OVER FINANCIAL
TRANSACTIONS AND REPORTING - COUNTY AUDITOR***

There were the following deficiencies in the internal control system of the County related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Reporting:

Effective internal control 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 had not identified risks to the preparation of a reliable financial statement, including notes to the financial statement.

Employees in the County Auditor's office entered the County's financial activity from the County's software directly into the Gateway system. The Annual Financial Report was used to prepare the financial statement presented in this report. There was no control in place to ensure the information reported was accurate and complete.

2. Financial Transactions:

Payroll Disbursements: The County Auditor's office had not separated incompatible activities related to payroll and payroll related liabilities. One employee was responsible for the following payroll functions without any oversight or review process to ensure the accuracy and completeness of amounts posted to the records:

COUNTY AUDITOR
MONROE COUNTY
FEDERAL FINDINGS
(Continued)

- Changing the payroll amounts/deductions in the accounting software or to the Wage and Tax Statements (W-2).
- Verifying the amounts being paid to the employees agreed to the salary ordinance, leave balances recorded, signed time sheets, claim vouchers, and payroll system reports agreed to direct deposit.
- Posting and maintaining the Payroll Clearing fund and the various subaccounts of the Payroll Clearing fund.
- Recording pension payments in the PERF subaccount, which contained many posting errors.

3. Redevelopment Commission Funds:

Due to new legislation, redevelopment commission funds were to come under the control of the County fiscal officer as of July 1, 2014. The two funds from the redevelopment commission, the Richland TIF Debt Funds and the Westside TIF Sinking Fund, were not included in the County Auditor's ledger as of December 31, 2014, and, therefore, did not come under the control of the County fiscal officer as of July 1, 2014. The financial activity of the two redevelopment commission funds was included by the County in the financial statement.

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 36-7-14-8(b) states in part:

"The fiscal officer of the unit establishing a redevelopment commission is the treasurer of there development commission. Notwithstanding any other provision of this chapter, the treasurer has charge over and is responsible for the administration, investment, and disbursement of all funds and accounts of the redevelopment commission in accordance with the requirements of state laws that apply to other funds and accounts administered by the fiscal officer. . . . "

FINDING 2014-008 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Health and Human Services

Federal Programs: Child Support Enforcement, ARRA - Child Support Enforcement

CFDA Number: 93.563

Federal Award Numbers and Years (or Other Identifying Numbers): 1304IN4005, 90F10117-03-00

Pass-Through Entity: Indiana Department of Child Services

COUNTY AUDITOR
MONROE COUNTY
FEDERAL FINDINGS
(Continued)

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

The County Auditor contracted with a consultant to prepare a cost allocation plan. The County did not establish internal controls to ensure that the cost allocation plan was complete and accurate.

In addition, the Clerk of the Circuit Court and the County Prosecuting Attorney did not maintain personnel Activity Reports or Semiannual Certifications for employees paid partially or fully from the Child Support Enforcement Program.

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-87, Attachment B, section 8h states in part:

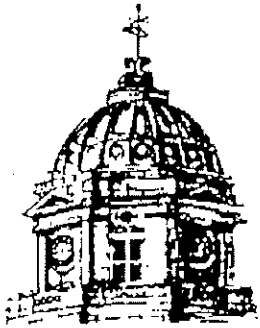
". . . (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.

These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

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

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance with the grant agreement or the compliance requirements that have a direct and material effect to the program could have resulted in the loss of federal funds to the County.

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



THERESE K. CHAMBERS
Monroe County Auditor

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**CORRECTIVE ACTION PLAN
(SBOA Audit for Year: 2014)**

FINDING 2014-001:

Contact Person Responsible for Corrective Action: Therese Chambers
Contact Phone Number: 812-349-2510

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Grant-related findings:

Regarding preparation of the schedule of expenditures of federal awards, Grant Navigator is up and running and being kept current. The Claims Financial Representative is processing the claims in the software system for payment of claims submitted by departments. The Grant Administrator is double-checking for accuracy and making sure that funds are being spent appropriately according to the grant terms.

The Grants Administrator is in communication with departments regarding questions and concerns with the grants. We will also be monitoring fund balances on grants to make sure funds are not being overspent. New spreadsheets have been created to track funds when they come in and funds as they are spent.

There has been a new position established, Second Financial Representative. If we can get the Council to fund this much-needed position for 2017 forward, it will be responsible for auditing and cross-checking the AP claims. This position would also be responsible for cross-checking the grants and the Schedule of Expenditures of Financial Awards (SEFA). This would include comparing the financial statements to what is reported. For the reimbursable grants, the expenditures on the SEFA would be the receipts received for that year. With the upfront grant awards, which we have very few of, where the money is received before it is spent we will track those expenditures. Then once the SEFA is completed by the Grants Administrator, the Second Financial Representative will do the review between Gateway and our system.

Anticipated completion date: 2017.

FINDING 2014-002:

Contact Person Responsible for Corrective Action: Therese Chambers
Contact Phone Number: 812-349-2510

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Debt, AP Claims and Payroll findings:

Claims are generated by the department paying the debt. Claims are checked in the Auditor's office and will be followed up by creation of a spreadsheet for all debt and capital lease payments with a separate tab for each debt. These will be tracked by payment date, payment amount, interest, unit making payments, and method of payment including check number. The Auditor's office Administrative Assistant will follow up with bank to make sure each check clears and compare to Gateway information. We are creating the same type of procedures for contracts as well.

Anticipated completion date: 2016 and 2017.

In connection with controls over receipting, disbursing, recording and accounting for the financial activities to avoid invalid transactions or inaccurate records and financial statements, we are double-checking the claims against the invoice edit report and then checking the checks against the check register report once they are printed. The person entering is not the person doing the checking. This procedure was put into place July 29, 2016. This duty would also be that of the Second Financial Representative.

The new LOW payroll financial software should help with some of these issues by generating reports to assist in cross-checking of data entry. W2s will be handled from the LOW system with LOW's assistance.

The Grants Administrator is also the backup to Payroll and is trained to complete payroll in the absence of the Payroll Administrator. As backup, the Grants Administrator will also be double-checking payroll entries, direct deposit amounts, and cross-checking the pension plans. The Grants Administrator will double-check the salary amounts entered into the software system against the Salary Ordinance.

The Payroll Administrator will ensure that all timesheets and vouchers are being signed by the department head or elected official. Payroll clearing of funds will be handled the same as the PERF. Employee leave information is calculated by Human Resources and entered into the Auditor's system.

Receipting is now a dual effort between Treasurer and Auditor. The Treasurer's office receives the checks and/or cash. Auditor receives a copy of the check. Cash is counted by the Auditor and Treasurer offices at the same time and calculation tape is created and printed. The tape is initialed by both the Auditor and Treasurer and the Auditor's office then quietuses the amount in. The Treasurer signs off on the quietus for cross-checking.

Anticipated completion date: 2016 and 2017.

FINDING 2014-008:

Contact Person Responsible for Corrective Action: Therese Chambers
Contact Phone Number: 812-349-2510

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Allowable Costs/Cost Principles findings:

Creation of the Central Services Cost Allocation Plan (CAP) is contracted out. Once the contracted company submits the CAP to the Auditor, it will be reviewed with the representative from the contracted company, along with supporting documentation to ensure that the County is in agreement with the data provided. The CAP will be reviewed by the Auditor, Clerk and Prosecutor, and each elected official will create a spreadsheet and/or detailed written findings regarding the CAP.

Anticipated completion date: 2017.



Therese K. Chambers, Auditor

Date: August 25, 2016

COUNTY AUDITOR
MONROE COUNTY
AUDIT RESULTS AND COMMENTS

CAPITAL ASSETS

The County had not properly maintained a complete inventory of capital assets. The capital assets records were not updated for additions and deletions for 2014.

Every governmental unit should have a complete inventory of all fixed assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable General Fixed Asset Account Group Form. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

INTERNAL CONTROL OVER PAYROLL REPORTING

Internal controls over the receipting, disbursing, recording, and accounting for the payroll activities were insufficient. In reviewing ten timesheets it was noted that two of the timesheets were not signed by the employee.

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)



Therese K. Chambers
Monroe County Auditor

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October 31, 2016

RE: Written Response for: Capital Assets and Payroll Audit findings for 2014

Capital Assets: The unit has not properly maintained a complete inventory of capital assets owned. The capital assets records had not been updated and deletions for 2014.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for County Auditors Chapter 14)

Response---Since July of 2016 the Assessor, Auditor, Aviation and Highway have been working together to make the needed updates for the capital assets. Progress that has been made up to September 20, 2016 are as follows: All county owned properties have been added, land values per the Assessor have been entered, Aviation has provided both the Auditor and the SBOA a current list of the Airport owned assets. Highway has sent an up dated 2015 GASB Roads and Bridges.

We will continue to work on making the much needed updates until the project is completed for 2017.

Internal Controls over Payroll Reporting: Internal controls over the receipting, disbursing, recording and accounting for the payroll activities were insufficient. In reviewing ten time sheets it was noted that two of the timesheets were not being signed by the employee.

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 managements 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 Country Auditors, Chapter 14)

Response---Our new LOW Payroll-Financial will provide some help in achieving a small portion of the internal controls by archiving reports for future needs. Tracking changes within the system by showing who made the change and time, date etc.

Since August 2016 we have started cross checking the amount that is pulled by PERF to match what payroll expected to be pulled. Cross checking is being done by a different employee than that entering payroll. The cross checking has begun for direct deposits and will continue to move forward with all aspects of payroll as we move forward to going live in October 2016 with LOW.

The Auditor's Office currently employs a second staff member that is trained as a payroll back and can complete payroll in full in the event of Payroll Administrator's absence.

In addition to the changes mentioned above I have had a folder created and it is located on the Shared:Drive for future needs of the SBOA. The folder is labeled 2016 SBOA and we have folders within that folder labeled AP Claims-ACH, AP Claims-Checks, Debt-Old National Common Wealth, Payroll, Special Pays, Stop Payments and Voids. We have begun scanning proof of cross checking to edit reports, check register reports, bank information etc.

Thank you,
Therese K. Chambers
Monroe County Auditor
(812) 349-2509

COUNTY AUDITOR
MONROE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 13, 2016, with Therese K. Chambers, County Auditor; Patrick Stoffers, President of the Board of County Commissioners; Julie Thomas, County Commissioner; Cheryl Munson, President of the County Council; Geoff McKim, County Council member; Marty Hawk, County Council member; Ryan Cobine, County Council member; Margie K. Rice, County Attorney; R. Michael Flory, Attorney County Council; E. Jeff Cockerill, Attorney; Megan Erwin, County Council intern; and Angie Purdie, Commissioners' Administrator.

COUNTY TREASURER
MONROE COUNTY

COUNTY TREASURER
MONROE COUNTY
FEDERAL FINDING

FINDING 2014-003 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING - COUNTY TREASURER

There were the following deficiencies in the internal control system of the County Treasurer related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Cash Reconcilements:

Reconcilements of the bank statement balances to the balances reported in the County Treasurer's Daily Balance of Cash and Depositories (Cash Book) had not been performed for any month during 2014. As a result, the County Commissioners entered into a contract with a consultant to perform a review, examination, and reconciliation of county funds for the period January 1, 2012 to January 1, 2015. The consultant discovered errors that included differences between amounts posted in the Cash Book and activity reported in the bank accounts, payroll posting errors, and reporting a balance for an investment which had been cashed. The December 31, 2014, reconcilement prepared by the consultant was accepted by the County and adjustments netting to a decrease of \$303,277 in the cash and investment balance was made to the Cash Book in October 2015.

2. Cash Book:

- The amounts posted to the County Treasurer's Cash Book did not always agree with the collections for that day's business. The differences were due to corrections; however, these corrections were not reviewed and approved by someone other than the person making the correction.
- Many of the bank account balances reported in the Cash Book were incorrect due to using the financial software module that imported bank information from the County Auditor's ledger entries. Many entries defaulted to the operating bank account and no review was made by the Treasurer to verify these amounts were accurate. Also, several bank accounts were included on the Treasurer's Cash Book at December 31 with balances; however the accounts had been closed but never removed from the record. These errors were included in the consultant proposed adjustments.
- The Cash Book was prepared electronically and then printed out at the end of each day. However, this was not always performed on a timely basis. It was determined that changes were made to the electronic file after the daily activity had been reconciled. There were no controls to prevent the employee from making corrections or changes to prior days.
- There were no controls to verify that the property tax software reports and the Cash Book balances agreed.
- The Treasurer did not have sufficient controls over electronic vendor payments. There were errors discovered where the incorrect amount was recorded, the date was incorrect, or an entry was not recorded.

COUNTY TREASURER
MONROE COUNTY
FEDERAL FINDING
(Continued)

3. Excise tax:

The Treasurer posted the amount determined by the County Auditor to be distributed at each semi annual settlement to the Cash Book. This was not reconciled by the Treasurer to license excise tax collections posted in the Cash Book.

In addition, wheel and surtax receipts were being posted to the license excise tax account on the Cash Book. At December 31, 2014, the Cash Book reported \$1,128,461 in unidentified excise tax and \$277,403 in unidentified wheel tax and surtax.

4. Financial Reporting:

The After Settlement Collections fund balance reported to the County Auditor for inclusion in the financial statement for 2014 was incorrect. As a result, the December 31, 2014, cash and investment balance included in the Annual Financial Report was understated by \$5,997,551. Audit adjustments were proposed, approved by management of the County, and made to the financial statement.

5. Redevelopment Commission Funds:

The County Treasurer did not have a proper system of internal controls in place to ensure that all bank accounts were included on the Cash Book. Due to new legislation, Redevelopment Commission funds were to come under the control of the County fiscal officer as of July 1, 2014. The bank accounts of the Redevelopment Commission were not under the control of the County fiscal officer and were not included on the Cash Book as of December 31, 2014. The cash balance of the accounts as of December 31, 2014 was \$473,997.

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)

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."

Indiana Code 5-13-5-1 states:

"(a) 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

COUNTY TREASURER
MONROE COUNTY
FEDERAL FINDING
(Continued)

(2) balance the cashbook daily to show funds on hand at the close of each day.

(b) The cashbook is a public record and is open to public inspection in accordance with IC 5-14-3.

(c) A person who violates this section is subject to criminal prosecution under IC 35-44.2-2-2."

It is important that the amounts distributed at each semiannual settlement agree with the amounts shown in the treasurer's daily balance of cash and depositories, since a settlement and distribution in excess of the amounts entered in this record will result in "cash short" on the day the settlement is made. Conversely, if the settlement and distribution is made for less than the amount shown in this record, it will result in "cash long" for that day. Therefore, every effort should be made before settlement and distribution to see that the amounts distributed for each taxing district agree with the amounts entered in the register of taxes collected and in the treasurer's daily balance of cash and depositories. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 4)

Indiana Code 36-7-14-8(b) states in part:

"The fiscal officer of the unit establishing a redevelopment commission is the treasurer of the redevelopment commission. Notwithstanding any other provision of this chapter, the treasurer has charge over and is responsible for the administration, investment, and disbursement of all funds and accounts of the redevelopment commission in accordance with the requirements of state laws that apply to other funds and accounts administered by the fiscal officer. . . . "

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)



CATHERINE C. SMITH
Monroe County Treasurer

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Fax (812) 349-2079

August 31, 2016

MEMORANDUM FOR RECORD

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

FINDING 2014-003 – Internal Controls over Financial Transaction and Reporting

Contact Person Responsible for Corrective Action: Catherine Smith

Contact Phone Number: 812-360-2338/812-349-2531

Description of Corrective Action Plan:

Item One: Cash Reconcilements

During the 2014 year, the Treasurer's Office did fail to reconcile our bank balances in the Harris Software provided by the Commissioners. This software pulls information electronically from the Auditor's daily input into the Auditor's Funds Ledger where many incorrect entries had been made including, but not limited to, writing checks and allowing bank withdrawals from incorrect banks. This software directly imported all transactions including mistakes into the Treasurer's data. These mistakes made the balancing of the various accounts virtually impossible using the provided accounting software, however, every individual bank transaction was verified the next business day after the account transaction was made on each bank's individual commercial software. This action prevented incorrect banking transactions from impacting the county's cash on hand. A permanent correction is being implemented by the acquisition, implementation and future use of a newly purchased financial accounting software. This software will alleviate the need to hand populate the county's cashbook and provides software tools to accept or reject migrating information from the Auditor to the Treasurer. This software has been purchased and is currently in the process of being implemented, as of August 24, 2016.

Item Two: Cash Book

During the 2014 year, the Treasurer's Cashbook did (at times) disagree agree with tax collection reports for certain day's business. In 2014, the Treasurer's Office was using the Manatron MVPTax Software. This software adjusts payments in arrears when a change occurs, so if a report is pulled at a later date any payments that were changed would reflect the new, rather than the original amount. Because of this, each day's transactions were printed off and placed in the daily folder for that date (Daily Report) and for the taxation period up to that date (Period Report). Those report amounts were placed on the cashbook for those days. When new reports were pulled at a later date for the SBOA Field Rep, the reports had changes incorporated in them and did not reflect the original business conducted on those days. This was an inherent weakness in the MVP software. This software ceased being used in April 2015 and the new software Low accumulates payments differently, in that they are not directly applied at the time of receipt to a specific tax. They remain in a holding capacity until the settlement process distributes them once every six months. This alleviates the risk of payments changing in the taxation system during the

taxation period. Migrating to this software corrected this weakness in taxation collection at that time. Going forward these differences will be alleviated as any changes (such as a bounced tax check) are subtracted by the Low software on that day's business rather than voiding a payment made at an earlier date. The cash book program used in 2014 was an Excel representation of the SBOA prescribed form and was more or less a by-hand operation. This is no longer the method used for cashbook entries. The Low Property Software has an interactive cash book program as part of its interactive features and does not allow the cash book to be changed in arrears. It interfaces directly with the tax collection software and automatically populates the tax collections on the cash book, eliminating the possibility of most human error. This will be correct in audit year 2016.

Action Item: *To initiate an internal control over cashbook entry changes, a new log will be established and each change will require a signoff by the cash book manager's supervisor. This will begin in September 2016.*

Item Three: Excise Tax

Beginning on 6/1/16 and correcting this deficiency, is the process of the Auditor providing to the Treasurer (every Friday) the BMV amounts for both Excise and Wheel and Sur tax which allows the Treasurer to record the BMV provided amounts accurately on the correct cash book lines. The provisions of this breakout in a timely manner has made the recording instantly accurate and allows comparison with the bank deposits at the same time. This will be correct in audit year 2016.

Item Four: Financial Reporting

The Treasurer's Office will provide a completed and signed copy of the Supplemental Annual Financial Report to the Auditor for the purpose of the Auditor's input into Gateway by January 20th every year. This will be correct in audit year 2016.

Item Five: Redevelopment Commission Funds

The Redevelopment Commission's banking balances will be added to the cash book beginning in September 2016, thus correcting this time in audit year 2016.

Respectfully,

Catherine C. Smith

Monroe County Treasurer

COUNTY TREASURER
MONROE COUNTY
AUDIT RESULTS AND COMMENTS

EXCISE TAX

The County Treasurer and County Auditor Excise Tax Reconciliation at Settlement worksheets that were filed with the Indiana Auditor of State's office for the June and December 2014 settlements did not always agree to records maintained by the county Treasurer.

A sample to test posting of daily excise tax receipts indicated an error rate of 20 percent. The daily receipt amounts were netted with corrections for prior posting errors to the County Treasurer's Daily Balance of Cash and Depositories (Cash Book). Postings to the Cash Book for excise tax were based on actual amounts deposited to the County's bank account by the Indiana Bureau of Motor Vehicles (BMV) rather than deposit reports provided to the County from the BMV FTP site.

At the time of each semiannual tax settlement the treasurer shall report such tax collections, together with the aircraft license excise tax and auto rental excise tax collections discussed in this section, on County Form 49TC, County Treasurer's Certificate of Tax Collections, and the total shown by the county auditor's records shall be verified with the treasurer's certificate before distribution is made. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 6)

We recommend that the Deposit Reports be accessed and copied or printed daily by the Treasurer's office. We also recommended that the Treasurer's cash book be posted daily, however at a minimum, once a month the amount of the excise collected must be posted to the Treasurer's cash book. A receipt should be issued that shows the date of the deposit (report date), the amount deposited and should also list the transaction date and the report number. If the posting is done weekly or monthly, the receipt should list the range of transaction dates and the range of report numbers include on the receipt. The excise tax should be posted to the Other Sources, Excise Tax Collections. The amount received for surtax and wheel tax should be on a quietus issued by the Auditor's office and be part of the Funds Ledger on the Cash Book. The total amount deposited should be entered in the bank deposits section of the cashbook. All of these amounts should be taken from the Deposit Report. The Deposit Report is the notification from the BMV of the amount of Excise tax, wheel and surtax collected for your county for that transaction date. If the amount shown as deposited on the bank statement does not match the Deposit Report, the County should contact BMV immediately.

Please note that the process of reconciliation requires you compare your county's record balance (cash book) to the bank's record (bank statement). If only the bank statement is used to post the cash book then a true reconciliation has not been done. The deposit report functions in the same way an ACH remittance from the Auditor of State functions for EFT deposits. In addition, the total on the deposit report should also tie to the amount on the last page of the Auditor Report of registrations by Township for the excise tax and to the amount on the last page of the Assessor Report of Registrations by Township for wheel tax and surtax. (The County Bulletin and Uniform Compliance Guidelines, Vol. 393, pages 11-12)

INHERITANCE TAX

Internal controls over the receipting, disbursing, recording, and accounting for the financial activities of the Inheritance Tax fund were insufficient. The Inheritance Tax fund had a cash balance of \$62,083 that was transferred to the General fund on December 17, 2014. The only amount that should have been transferred to the General fund was 8 percent of the inheritance tax paid. The remaining 92 percent should have been remitted to the state. There was no evidence presented for audit that someone had reconciled the inheritance tax receipts and the subsequent disbursements to the Indiana Department of Revenue and the County to determine the appropriate disposition of this balance.

COUNTY TREASURER
MONROE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 6-4.1-9-6(a) stated:

"With respect to the inheritance tax imposed as a result of a resident decedent's death, the county in which the tax is collected shall receive eight percent (8%) of the inheritance tax paid as a result of the decedent's death. On the first day of January, April, July, and October of each year, the county treasurer shall, except as provided in subsection (b), transfer to the county general fund the amount due the county under this section. This state shall receive the remaining ninety-two percent (92%) of the inheritance taxes, all the interest charges collected by the county treasurer under section 1 or 1.5 of this chapter, and all the penalties collected by the county treasurer under IC 6-4.1-4-6."

Any person paying inheritance tax to the treasurer should first obtain an application to pay from the county auditor, as this money should be receipted directly into the inheritance tax fund. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 6)

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 controls.

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)

SURTAX AND WHEEL TAX

Surtax and wheel tax receipts were posted to the Cash Book on the Vehicle License Excise Tax line during the year 2014. Distributions of the tax receipts were made quarterly to the applicable local units.

Indiana Code 6-3.5-4-13 states in part:

"(a) In the case of a county that does not contain a consolidated city of the first class, the county treasurer shall deposit the surtax revenues in a fund to be known as the '_____ County Surtax Fund'.

(b) Before the twentieth day of each month, the county auditor shall allocate the money deposited in the county surtax fund during that month among the county and the cities and the towns in the county. The county auditor shall allocate the money to counties, cities, and towns under IC 8-14-2-4(c)(1) through IC 8-14-2-4(c)(3).

(c) Before the twenty-fifth day of each month, the county treasurer shall distribute to the county and the cities and towns in the county the money deposited in the county surtax fund during that month. The county treasurer shall base the distribution on allocations made by the county auditor for that month under subsection (b). . . . "

Indiana Code 6-3.5-5-15 states in part:

"(a) In the case of a county that does not contain a consolidated city, the county treasurer shall deposit the wheel tax revenues in a fund to be known as the 'County Wheel Tax Fund'.

COUNTY TREASURER
MONROE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

(b) Before the twentieth day of each month, the county auditor shall allocate the money deposited in the county wheel tax fund during that month among the county and the cities and the towns in the county. The county auditor shall allocate the money to counties, cities, and towns under IC 8-14-2-4(c)(1) through IC 8-14-2-4(c)(3).

(c) Before the twenty-fifth day of each month, the county treasurer shall distribute to the county and the cities and towns in the county the money deposited in the county wheel tax fund during that month. The county treasurer shall base the distribution on allocations made by the county auditor for that month under subsection (b). . . . "



Therese K. Chambers
Monroe County Auditor

Monroe County Courthouse
100 W Kirkwood Ave Room 209
Bloomington, IN 47404
Office (812) 349-2510
Fax (812) 349-2280

October 31, 2016

RE: Written Response for: Capital Assets and Payroll Audit findings for 2014

Capital Assets: The unit has not properly maintained a complete inventory of capital assets owned. The capital assets records had not been updated and deletions for 2014.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for County Auditors Chapter 14)

Response---Since July of 2016 the Assessor, Auditor, Aviation and Highway have been working together to make the needed updates for the capital assets. Progress that has been made up to September 20, 2016 are as follows: All county owned properties have been added, land values per the Assessor have been entered, Aviation has provided both the Auditor and the SBOA a current list of the Airport owned assets. Highway has sent an up dated 2015 GASB Roads and Bridges.

We will continue to work on making the much needed updates until the project is completed for 2017.

Internal Controls over Payroll Reporting: Internal controls over the receipting, disbursing, recording and accounting for the payroll activities were insufficient. In reviewing ten time sheets it was noted that two of the timesheets were not being signed by the employee.

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 managements 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 Country Auditors, Chapter 14)

Response---Our new LOW Payroll-Financial will provide some help in achieving a small portion of the internal controls by archiving reports for future needs. Tracking changes within the system by showing who made the change and time, date etc.

Since August 2016 we have started cross checking the amount that is pulled by PERF to match what payroll expected to be pulled. Cross checking is being done by a different employee than that entering payroll. The cross checking has begun for direct deposits and will continue to move forward with all aspects of payroll as we move forward to going live in October 2016 with LOW.

The Auditor's Office currently employs a second staff member that is trained as a payroll back and can complete payroll in full in the event of Payroll Administrator's absence.

In addition to the changes mentioned above I have had a folder created and it is located on the Shared:Drive for future needs of the SBOA. The folder is labeled 2016 SBOA and we have folders within that folder labeled AP Claims-ACH, AP Claims-Checks, Debt-Old National Common Wealth, Payroll, Special Pays, Stop Payments and Voids. We have begun scanning proof of cross checking to edit reports, check register reports, bank information etc.

Thank you,
Therese K. Chambers
Monroe County Auditor
(812) 349-2509

COUNTY TREASURER
MONROE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 13, 2016, with Catherine C. Smith, County Treasurer; Patrick Stoffers, President of the Board of County Commissioners; Julie Thomas, County Commissioner; Cheryl Munson, President of County Council; Geoff McKim, County Council member; Marty Hawk, County Council member; Ryan Cobine, County Council member; Margie K. Rice, County Attorney; R. Michael Flory, Attorney County Council; E. Jeff Cockerill, Attorney; Megan Erwin, County Council Intern; and Angie Purdie, Commissioners' Administrator.

CLERK OF THE CIRCUIT COURT
MONROE COUNTY

CLERK OF THE CIRCUIT COURT
MONROE COUNTY
FEDERAL FINDINGS

***FINDING 2014-004 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS
AND REPORTING - CLERK OF THE CIRCUIT COURT***

There was a deficiency in the internal control system of the Clerk of the Circuit Court (Clerk) related to financial transactions and reporting. We believe the following deficiency constituted a material weakness.

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's office incorrectly reported the receipts, disbursements, and balances of the Clerk's Trust fund to the County Auditor for inclusion on the Annual Financial Report. The corrections to be made to the reported amounts for the beginning balance, receipts, disbursements and ending balance were \$191,101; (\$2,200,243); (\$9,949,098) and \$7,939,956, respectively. Audit adjustments were proposed, approved by management of the County, and made to the financial statement.

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)

FINDING 2014-008 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Health and Human Services
Federal Programs: Child Support Enforcement, ARRA - Child Support Enforcement
CFDA Number: 93.563
Federal Award Numbers and Years (or Other Identifying Numbers): 1304IN4005, 90F10117-03-00
Pass-Through Entity: Indiana Department of Child Services

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

The County Auditor contracted with a consultant to prepare a cost allocation plan. The County did not establish internal controls to ensure that the cost allocation plan was complete and accurate.

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

In addition, the Clerk of the Circuit Court and the County Prosecuting Attorney did not maintain personnel Activity Reports or Semiannual Certifications for employees paid partially or fully from the Child Support Enforcement Program.

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-87, Attachment B, section 8h states in part:

". . . (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.

These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

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

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance with the grant agreement or the compliance requirements that have a direct and material effect to the program could have resulted in the loss of federal funds to the County.

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

Nicole Lynn Browne
Clerk of Monroe Circuit Courts
301 N. College Avenue, Room 201
P.O. Box 547
Bloomington, IN 47402

CORRECTIVE ACTION PLAN

FINDING 2014-004

Qiangsheng Huang
812-349-2613

Odyssey software does not have a way to include totals for the I69 interest bearing account or the ISETS Child Support financials in the Cash Book or Receipts report sent each year to the Monroe County Auditor.

A spreadsheet has been generated to include the I69 interest bearing account, ISETS and the Clerk's Cash Book and Daily Balance into one report that will be submitted annually to the Auditor.

This will be implemented in the report for year 01/01/2016 to 12/31/2016 that will be submitted at the end of 2016.

Nicole Lynn Browne
(Signature)

Monroe County Clerk
(Title)

8-18-16
(Date)

Nicole Lynn Browne
Clerk of Monroe Circuit Courts
301 N. College Avenue, Room 201
P.O. Box 547
Bloomington, IN 47402
CORRECTIVE ACTION PLAN

FINDING 2014-008

Nicole Browne
812-349-5004

The previous Clerk of the Circuit Court hired an outside company, Malcon to manage Federal Grant 1304IN4005 through the Department of Health and Human Services.

The Clerk of the Monroe Circuit Court will work with Malcon to implement internal controls to monitor and provide oversight to ensure that we are in compliance with the grant agreement.

The recording of time actually worked on IV-D cases by employees in a personnel activity report shall be required and maintained by Beck Waldrip, supervisor of Child Support in the Clerk's office. No employee will be paid solely from the Federal Grant, but compensated for actual hours worked on IV-D cases. The personnel activity reports will then be reviewed and signed for by the Monroe County Clerk, Nicole Browne to ensure they are accurate and in compliance with the grant agreement.

This process will begin immediately.

Nicole Lynn Browne
(Signature)

Monroe County Clerk
(Title)

8-23-16
(Date)

CLERK OF THE CIRCUIT COURT
MONROE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 12, 2016, with Nicole Browne, Clerk of the Circuit Court; Qiangsheng Huang, Financial Director; Terri Bowman, Administrative Assistant; Tressia Martin, Chief Deputy; and Diana L. Robertson, Deputy Clerk.

The contents of this report were discussed on September 13, 2016, with Patrick Stoffers, President of the Board of County Commissioners; Julie Thomas, County Commissioner; Cheryl Munson, President of the County Council; Marty Hawk, County Council member; Ryan Cobine, County Council member; Megan Erwin, County Council intern; Geoff McKim, County Council member; R. Michael Flory, Attorney County Council; E. Jeff Cockerill, Attorney; Margie K. Rice, County Attorney; and Angie Purdie, Commissioners' Administrator.

COUNTY SHERIFF
MONROE COUNTY

COUNTY SHERIFF
MONROE COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

There were several deficiencies in the internal control system of the County Sheriff's office related to financial transactions and balances. There were no controls in place to ensure that depository reconcilements were performed for the Training fund and the Tax Warrant and Sheriff Sales bank accounts; nor were there controls in place to verify that the reconcilements prepared for the Sherrif's Inmate Trust fund account and the Jail Commissary fund account were accurate and complete. Additionally, there was no review or approval process in place to verify the accuracy of the recorded financial transactions in the Sheriff's Cash Book.

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)

CONDITION OF RECORDS - 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 completed during the audit period. We performed a cursory bank reconciliation for the Cash Book - Training fund account as of December 31, 2014, and determined the bank balance was long when compared to the computed book balance by \$1,298.

Credit card transactions for amounts received were processed through the Cash Book - Training fund bank account; however, these amounts and the corresponding credit card transaction fees were not posted to the Cash Book - Training fund.

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)

CONDITION OF RECORDS - CASH BOOK TAX WARRANT AND SHERIFF SALES

The following deficiencies were noted in the recordkeeping for the Sheriff's Cash Book - Tax Warrant and Sheriff Sales funds:

1. Depository reconciliations of the fund balances to the bank account balances were not completed during the audit period.

COUNTY SHERIFF
MONROE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

2. In 2014, the Indiana Department of Revenue deposited Tax warrant fees of \$25,755 directly to the Sheriff's bank account. These deposits were not accounted for as receipts in the fund. The tax warrant fees received for 2014 were not paid to the County Treasurer until January 2016.
3. A \$4,000 payment was made directly from this fund to the vendor rather than by the County Auditor. The payment was made without proper appropriation or allowance by the Board of County Commissioners (County executive).

We performed a cursory bank reconciliation of the Cash Book - Tax Warrant and Sheriff Sales account as of December 31, 2014, and determined the bank balance was cash short when compared to the computed book balance by \$1,566.

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)

Indiana Code 36-2-6-2 states: "A person who has a claim against a county shall file an invoice or a bill with the county auditor. The auditor shall present the invoice or bill to the executive, which shall examine the merits of the claim. The executive may allow any part of the claim that it finds to be valid."

BANK ACCOUNT RECONCILIATIONS - INMATE TRUST

Depository reconciliations of the fund balances to the bank account balances were completed; however, the reconciliations contained errors and did not balance. Errors and unauthorized transactions were not properly identified and corrected in a timely manner.

The inmate trust bank reconciliation included the following amounts from unresolved errors and unauthorized transactions as of December 31, 2014:

- Six fraudulent ACH bank transactions, ranging in amount from \$102 to \$1,000, were made to the Sheriff's Inmate Trust bank account from August 19, 2014 to October 1, 2014, by unknown persons. The total amount taken from the account was \$3,750. The bank was informed that the transactions were fraudulent, and it reimbursed the account \$2,000 on October 8, 2014. The County filed a police report dated October 27, 2014. The remaining uninsured loss of \$1,750 will need to be reimbursed from County funds in accordance with the County write off policy.
- A cashier's check for \$4,908 deposited to an individual inmate's trust account was later determined by the bank to be fraudulent. The check was returned as NSF to the County Sheriff by the issuing bank after the inmate had been paid the balance in his trust account. The County Sheriff did not contact the County Prosecuting Attorney to report the item as a dishonored check for prosecution. The NSF loss of \$4,908 will need to be reimbursed from County funds in accordance with the County policy.

COUNTY SHERIFF
MONROE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- Old outstanding checks of \$2,719 were maintained in an old Inmate Trust bank account. This bank account was not included as part of the depository reconciliation for the Inmate Trust fund. The balance of the outstanding checks was receipted into the Sheriff's Inmate Trust fund ledger in 2013. The amount should have been remitted to the Indiana Attorney General as unclaimed property.

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 have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Indiana Code 36-1-8-13 states: "A unit that is unable to obtain payment of a dishonored check shall, not later than ninety (90) days after the check is initially received by the unit, refer the matter to the prosecuting attorney for the county where the dishonored check was received for prosecution."

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. . . ."

Indiana Code 32-34-1-26(a) states: "A holder of property that is presumed abandoned and that is subject to custody as unclaimed property under this chapter shall report in writing to the attorney general concerning the property. Items of value of less than fifty dollars (\$50) may be reported by the holder in the aggregate."

Indiana Code 32-34-1-27(a) states: "Except as provided in subsections (b) and (c), on the date a report is filed under section 26 of this chapter, the holder shall pay or deliver to the attorney general the property that is described in the report as unclaimed."

COUNTY SHERIFF
MONROE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 11, 2016, with Brad Swain, County Sheriff; Patrick Stoffers, President of the Board of County Commissioners; Iris F. Kiesling, County Commissioner; Cheryl Munson, President of the County Council; Geoff McKim, County Council member; E. Jeff Cockerill, Attorney; and Angie Purdie, Commissioners' Administrator.

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BOARD OF COUNTY COMMISSIONERS
MONROE COUNTY

BOARD OF COUNTY COMMISSIONERS
MONROE COUNTY
FEDERAL FINDINGS

FINDING 2014-005 - INTERNAL CONTROLS OVER FORMULA GRANTS FOR RURAL AREAS

Federal Agency: Department of Transportation

Federal Programs: Formula Grants for Rural Areas, ARRA - Formula Grants for Rural Areas

CFDA Number: 20.509

Federal Award Numbers and Years (or Other Identifying Numbers): A249-13-320293A, A249-14-320293,
14ARRA09C

Pass-Through Entity: Indiana Department of Transportation

The County had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the following compliance requirements: Allowable Costs/Cost Principles, Cash Management, Suspension and Debarment, Reporting, and Period of Availability.

Allowable Costs/Cost Principles and Period of Availability

The County had not designed or implemented adequate policies and procedures to ensure transactions were properly accounted for, were for allowable costs, or were within the period of availability. The subrecipient provided disbursement ledgers, but there was no evidence they were reviewed by the County. There was no segregation of duties, such as an oversight, review, or approval process.

Cash Management and Reporting

The County had not designed or implemented adequate policies and procedures to ensure that program funds were expended prior to requesting reimbursements and the quarterly financial reports were accurate. One person prepared and submitted the reports. There was no segregation of duties, such as an oversight, review, or approval process.

Suspension and Debarment

The County had not designed or implemented adequate policies and procedures to ensure the subrecipient was not suspended or debarred. There was no segregation of duties, such as an oversight, review, or approval process.

The failure to establish an effective internal control system placed 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 have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

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. . . ."

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

BOARD OF COUNTY COMMISSIONERS
MONROE COUNTY
FEDERAL FINDINGS
(Continued)

FINDING 2014-006 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: Department of Transportation
Federal Program: Formula Grants for Rural
CFDA Number: 20.509
Federal Award Number and Year (or Other Identifying Number): 14ARRA09C
Pass-Through Entity: Indiana Department of Transportation

Management of the County had not established an effective internal control system related to the grant agreement and the Equipment and Real Property Management compliance requirement. Controls were not in place to ensure that the requirements were met.

The County did 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. . . ."

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."

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FEDERAL FINDINGS
(Continued)

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the compliance requirement could have resulted in the loss of federal funds to the County.

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

FINDING 2014-007 - SUBRECIPIENT MONITORING

Federal Agency: Department of Transportation

Federal Programs: Formula Grants for Rural Areas, ARRA - Formula Grants for Rural Areas

CFDA Number: 20.509

Federal Award Numbers and Years (or Other Identifying Numbers): A249-13-320293A, A249-14-320293, 14ARRA09C

Pass-Through Entity: Indiana Department of Transportation

The County had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the following compliance requirement: Subrecipient Monitoring.

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. 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 have ensured that the subrecipient was properly following the guidelines of the grant agreement or the compliance requirement.

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.

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- (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 those 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 establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the compliance requirement could have resulted in the loss of federal funds to the County.

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



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Patrick Stoffers, President

Julie Thomas, Vice President

Iris Kiesling, Member

FINDING 2014-005

Contact Person Responsible for Corrective Action: Patrick Stoffers
Contact Phone Number: 812-349-2550

Views of Responsible Official: The Monroe County Board of Commissioners concur with the SBOA finding.

Description of Corrective Action Plan:

The Monroe County Board of Commissioners have established an effective internal control system which includes segregation of duties related to the grant agreement and the following compliance requirements: Allowable Costs/Cost Principles and Cash Management was corrected in 2015.

The County has implemented policies and procedures that ensure transactions are properly posted and are for allowable costs and cost principles and within the period of availability. Disbursement ledgers are reviewed, positions have been identified as being responsible for oversight, review and approval.

The County has implemented policies and procedures that ensure program funds were expended prior to requesting reimbursement and the quarterly financial reports are accurate. The Area 10 / Rural Transit has established an internal oversight, review and approval process that is then sent to the county where a second oversight, review and approval process occurs.

Suspension and Debarment: Corrected in 2016. MCG has confirmed that Area 10 / Rural Transit is not on the Suspension and Debarment list. MCG will confirm prior to submission of the grant application and again at 6 months into the grant.

Finding 2014-006

Contact Person Responsible for Corrective Action: Patrick Stoffers
Contact Phone Number: 812-349-2550

Views of Responsible Official: The Monroe County Board of Commissioners concur with the SBOA finding.

Description of Corrective Action Plan:

This finding was corrected in 2015. A physical inventory was conducted, reconciling of inventory with acquisition records has been established. All items purchased by grant funds have been identified. Physical inventory is scheduled to be completed every two years. The next scheduled physical inventory assessment will occur in 2017

FINDING 2014-007

Contact Person Responsible for Corrective Action: Patrick Stoffers
Contact Phone Number: 812-349-2550

Views of Responsible Official: The Monroe County Board of Commissioners concur with the SBOA finding.

Description of Corrective Action Plan:

Due to the timing of audit findings and education of monitoring parties, Monroe County Government (MCG) is deficient in this area until 2016. AS such:

The Monroe County Board of Commissioners will establish effective internal controls specific to the segregation of duties in 2016 by establishing monthly meetings with the Area 10 / Rural Transit +/- on site visits thus ensuring the programs compliance with the of Federal awards in compliance with the contract and grant agreement.

Monroe County will ensure:

1. Area 10 / Rural Transit is advised of the CFDA title, number, award name and number, award year, and the name of the Federal Agency
2. Area 10 / Rural Transit is advised of requirements imposed on them by Federal Laws, regulation, and provision of the contract and grant agreement in addition to any requirements imposed by Monroe County Government as the pass through entity.
3. Monitor the activities of Area 10 / Rural Transit to ensure proper use of grant funds and performance goals achieved.
4. Audit requirements are met for the fiscal year of receipt
5. Provide a response to audit findings within 6 months of receipt of the grant recipients independent audit report and ensure appropriate and corrective action is taken.
6. Determine if Area 10 / Rural Transit's audits require adjustments to MCG's records.
7. Area 10 / Rural Transit will permit MCG and auditors access to their records and financial statements as necessary for MCG to comply with the SBOA's sub recipient monitoring expectations.

BOARD OF COUNTY COMMISSIONERS
MONROE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 13, 2016, with Patrick Stoffers, President of the Board of County Commissioners; Julie Thomas, County Commissioner; Cheryl Munson, President of the County Council; Marty Hawk, County Council member; Ryan Cobine, County Council member; Megan Erwin, County Council intern; Geoff McKim, County Council member; R. Michael Flory, Attorney County Council; E. Jeff Cockerill, Attorney; Margie K. Rice, County Attorney; and Angie Purdie, Commissioners' Administrator.

COUNTY PROSECUTING ATTORNEY
MONROE COUNTY

COUNTY PROSECUTING ATTORNEY
MONROE COUNTY
FEDERAL FINDING

FINDING 2014-008 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Health and Human Services
Federal Programs: Child Support Enforcement, ARRA - Child Support Enforcement
CFDA Number: 93.563
Federal Award Numbers and Years (or Other Identifying Numbers): 1304IN4005, 90F10117-03-00
Pass-Through Entity: Indiana Department of Child Services

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

The County Auditor contracted with a consultant to prepare a cost allocation plan. The County did not establish internal controls to ensure that the cost allocation plan was complete and accurate.

In addition, the Clerk of the Circuit Court and the County Prosecuting Attorney did not maintain personnel Activity Reports or Semiannual Certifications for employees paid partially or fully from the Child Support Enforcement Program.

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-87, Attachment B, section 8h states in part:

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

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

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance with the grant agreement or the compliance requirements that have a direct and material effect to the program could have resulted in the loss of federal funds to the County.

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



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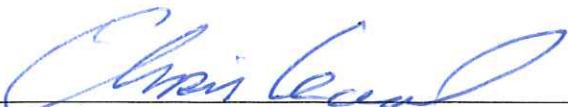
August 18, 2016

Finding 2014-008 -

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 this issue originally in 2014, the Office Administrator was advised by the Executive Director that the State Form 445272/DFC Form 918 was to be reinstated. This corrective action was maintained for several months on and off during 2014 but regular use was not reliably put into place. With this Finding 2014-008 being made, it becomes apparent that the established corrective action was insufficient. After some discussion between the Child Support Supervising Deputy Prosecutor, the Office Administrator and the Executive Director it is determined that a new corrective action is needed. Processes are underway to determine exactly what action will be most effective. It is expected that some combination of an edit to the county's employee signed timesheets to include language specifying the percentage of time spent on Child Support activities and/or the use of the Child Support Semi-Annual Certification of Time will be instituted. It is expected that this corrective action will be made no later than September 1, 2016.

Additionally, a finding was made that indicated personnel activity reports were dated subsequent to the date the reports were requested for audit. From this point forward it is understood, and will be the practice, that all signatures must be obtained at the same time, or within a reasonable timeframe, as records are drafted.



Chris Gaal
Monroe County Prosecuting Attorney

8-22-16

Date

PROSECUTING ATTORNEY
MONROE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 12, 2016, with Beth Hamblin, Executive Director.

The contents of this report were discussed on September 13, 2016, with Patrick Stoffers, President of the Board of County Commissioners; Julie Thomas, County Commissioner; Cheryl Munson, President of the County Council; Marty Hawk, County Council member; Ryan Cobine, County Council member; Megan Erwin, County Council intern; Geoff McKim, County Council member; R. Michael Flory, Attorney County Council; E. Jeff Cockerill, Attorney; Margie K. Rice, County Attorney; and Angie Purdie, Commissioners' Administrator.