

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BOONE COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
12/22/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Deanna Willhoite	01-01-13 to 04-30-16
	Carla Newcomer	05-01-16 to 09-04-16
	Heather Myers	09-05-16 to 12-31-20
County Treasurer	Deborah Ottinger	01-01-13 to 12-31-20
Clerk of the Circuit Court	Penny Bogan	01-01-11 to 12-31-14
	Jessica Fouts	01-01-15 to 12-31-18
County Sheriff	Ken Campbell	01-01-11 to 06-19-14
	Mike Nielsen	06-20-14 to 12-31-18
County Recorder	Nikki Baldwin	01-01-13 to 12-31-20
President of the Board of County Commissioners	Donald Lawson	01-01-14 to 12-31-14
	Marc Applegate	01-01-15 to 12-31-15
	Jeff Wolfe	01-01-16 to 12-31-16
President of the County Council	Steve Jacob	01-01-14 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of Boone 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 that pertain to the County. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the County, which provides our opinions on the County's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report.

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

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

December 6, 2016

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COUNTY AUDITOR
BOONE COUNTY

COUNTY AUDITOR
BOONE COUNTY
FEDERAL FINDINGS

FINDING 2014-001 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition

The County did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). One person was solely responsible for preparing and submitting the SEFA without oversight, review, or approval. The SEFA presented for audit contained the following material errors:

1. Child Support Enforcement indirect costs were understated \$40,275.
2. Formula Grants for Rural Areas expenditures were overstated \$71,981.

Other errors included the following:

1. Five grants were reported with either an incorrect Program Title or an incorrect CFDA number.
2. Two grants were reported with incorrect Project Titles.
3. Ten grants were reported with an incorrect Pass-Through identifying number.
4. Formula Grants for Rural Areas were reported without the amounts disbursed to sub-recipients of \$219,697.

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

Criteria

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

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

COUNTY AUDITOR
BOONE COUNTY
FEDERAL FINDINGS
(Continued)

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.

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA. The SEFA was prepared by staff at the County Auditor's office without oversight, review, or approval. The grant files and records, either maintained by the County Auditor's office or forwarded to the County Auditor's office from the departments, were not complete. The lack of complete records combined with the lack of adequate internal controls contributed to the inaccurate reporting of the SEFA.

Effect

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

Views of Responsible Officials

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

FINDING 2014-002 - FINANCIAL REPORTING

Condition

There were deficiencies in the internal control system of the County related to financial reporting that constituted material weaknesses. The County Auditor had not implemented effective internal controls over the activities related to financial statement reporting. The County Auditor prepared and submitted the Annual Financial Report (AFR) which was used to generate the financial statement. There were no controls to verify the accuracy of the AFR prior to submission.

COUNTY AUDITOR
BOONE COUNTY
FEDERAL FINDINGS
(Continued)

The financial statement presented for audit included the following material errors:

1. The Sheriff Cash Book activity was recorded in the Auditor's ledger; however, the financial statement included the fund again, separately. This error resulted in material overstatements of the financial statement as follows: receipts \$2,869,795 and disbursements \$2,869,795.
2. Instead of reporting the change in the cash and investment balance, the Treasurer fund reported all activity, even the amounts that were already reported in the Auditor's ledger. This error resulted in material overstatements of the financial statement as follows: receipts \$95,915,483 and disbursements \$95,704,841.

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

Criteria

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

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

Cause

The County failed to establish a system of internal controls to ensure that the financial activity from the supplemental county departments was reported properly.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the financial statement remained undetected. The financial statement contained the errors identified in the *Condition*.

Views of Responsible Officials

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

FINDING 2014-004 - REPORTING

Federal Agency: Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Year (or Other Identifying Number): FY 2014
Pass-Through Entity: Indiana Department of Child Services

COUNTY AUDITOR
BOONE COUNTY
FEDERAL FINDINGS
(Continued)

Condition

An effective internal control system was not in place at the Boone County Auditor's office in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

The Indiana Department of Child Services required the County to prepare quarterly incentive balance reports. The quarterly incentive balance reports should have been submitted to the State Child Support Bureau by the 30th of the month following each quarter's end. There was no evidence of an internal control system to ensure that these reports were prepared or filed.

Context

The four quarterly incentive balance reports required for 2014 were not presented for audit.

Criteria

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. . . ."

2 CFR 200.207(a) states in part:

". . . the Federal awarding agency or pass-through entity may impose additional specific award conditions as needed under the procedure specified in paragraph (b) of this section. These additional Federal award conditions may include items such as the following: . . . (3) Requiring additional, more detailed financial reports; . . ."

IV-D Expense Reporting and Reimbursement Complete Guide states in part:

". . . Under the terms of the Cooperative Agreements between CSB and the County Offices, each County Office is required to submit a monthly claim and a quarterly incentive report to the DCS Accounting Operations (DCS AO). . . ."

Cause

Management had not developed a system of internal controls for the submission of the quarterly incentive balance reports.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected which could have resulted in the loss of federal funds to the School Corporation.

COUNTY AUDITOR
BOONE COUNTY
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County establish controls, including segregation of duties, related to the grant agreement and the Reporting compliance requirement.

Views of Responsible Officials

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

FINDING 2014-005 - CASH MANAGEMENT

Federal Agency: Department of Transportation

Federal Program: Formula Grants for Rural Areas

CFDA Number: 20.509

Federal Award Number and Year (or Other Identifying Number): A249-14-320401A

Pass-Through Entity: Indiana Department of Transportation

Condition

An effective internal control system was not in place at the Boone County Auditor's office in order to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement.

There were no internal controls in place designed specifically to ensure time was minimized between the receipt and disbursement of federal monies.

Context

The lack of controls over the Cash Management requirements was a systemic problem. There were no controls for the entire audit period.

Criteria

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. . . ."

Cause

Management had not developed a system of internal controls specifically for the timely disbursement of federal funds related to the Formula Grants for Rural Areas program.

COUNTY AUDITOR
BOONE COUNTY
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system placed the County at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County establish controls, including segregation of duties, related to the grant agreement and the Cash Management compliance requirement.

Views of Responsible Officials

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

**Office of the Auditor
Boone County
201 Courthouse Square
Lebanon, IN 46052**

**Heather R. Myers
Auditor**

**(765) 482-2940
Fax: (765) 483-4434**

CORRECTIVE ACTION PLAN

FINDING 2014-001,002, 004, 005

Contact Person Responsible for Corrective Action: Heather R. Myers
Contact Phone Number: 765-482-2940

Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan:

2014-001

That the Auditor's office will set new internal controls to implement better checks and balances when preparing and submitting the SEFA, to ensure more safeguarding with reliability, more efficiency of operations in receipting, disbursing and recording all grants including Child Support Enforcement cost and also Formula Grants reporting expenditures, to ensure less errors moving forward.

2014-002

Our office needs to implement better reporting related to the financial statement recording, that we aren't reporting on funds that have already been reported, including the Sheriff's Cashbook Fund and the Treasurer's Fund to reduce any overstatements on the financial statement.

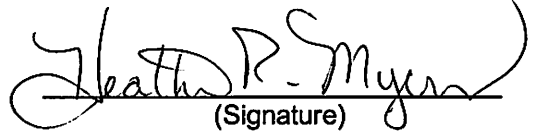
2014-004

Child Support Enforcement grant reporting on a quarterly basis in 2014 was not adequate, however moving forward our internal controls from 2015 and currently we have found that we are quarterly preparing reports to the state Child Support Bureau and keeping a file of tracking that this action has been reported in compliance with the grant agreement.

2014-005

We will establish controls over cash management which will include segregation of duties related to the monies disbursed to sub-recipients to ensure compliance with cash management requirements.

Anticipated Completion Date:12/6/2016


(Signature)

Auditor
(Title)

12/6/2016
(Date)

COUNTY AUDITOR
BOONE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 6, 2016, with Heather Myers, County Auditor; Jeff Wolfe, President of the Board of County Commissioners; Steve Jacob, President of the County Council; Robert V. Clutter, County Attorney; Teresa K. Price, Deputy Auditor; and Crystal Raub, Deputy County Auditor.

COUNTY COURT
BOONE COUNTY

COUNTY COURT
BOONE COUNTY
FEDERAL FINDING

FINDING 2014-003 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Year (or Other Identifying Number): FY 2014
Pass-Through Entity: Indiana Department of Child Services

Condition

An effective internal control system was not in place at the Boone County Court (Court) office in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The Court office did not have a proper system of internal controls in place related to assigning payroll costs to the Child Support Enforcement (IV-D) grant.

Context

There was a lack of controls for the entire audit period which affected all allowable costs related to payroll allocations.

Criteria

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. . . ."

Cause

Management had not developed a system of internal controls for the time and effort portion of Allowable Costs/Cost Principles requirements for the Court office.

Effect

The failure to establish an effective internal control system placed the County at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County establish controls, including segregation of duties, related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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



Circuit Court of Boone County

J. Jeffrey Edens
Judge

Sally E. Berish
Magistrate

CORRECTIVE ACTION PLAN

FINDING 2014-003 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: J. Jeffrey Edens/Sally E. Berish
Contact Phone Number: 765-482-0530

We concur with findings.

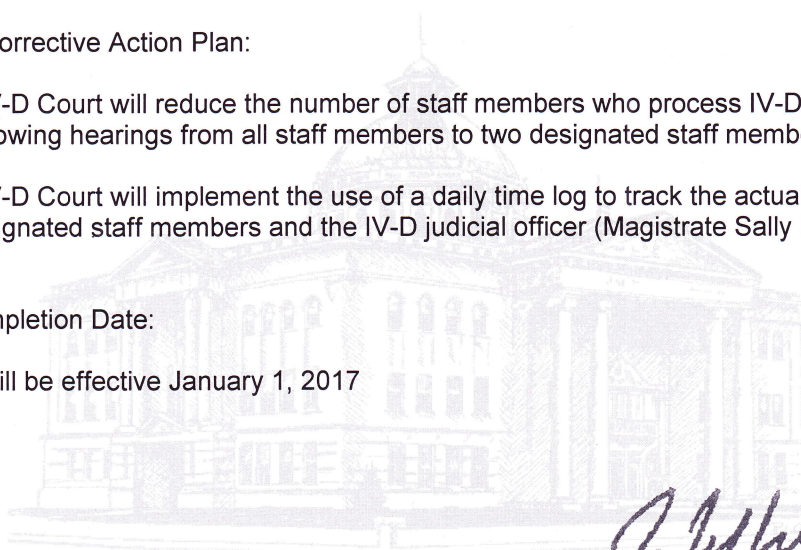
Description of Corrective Action Plan:

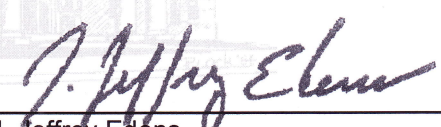
Boone Circuit IV-D Court will reduce the number of staff members who process IV-D pleadings and enter IV-D Orders following hearings from all staff members to two designated staff members.

Boone Circuit IV-D Court will implement the use of a daily time log to track the actual time devoted to IV-D work by the designated staff members and the IV-D judicial officer (Magistrate Sally Berish).

Anticipated Completion Date:

Both changes will be effective January 1, 2017





J. Jeffrey Edens
Judge, Boone Circuit Court

Dated: November 29, 2016

COUNTY COURT
BOONE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 6, 2016, with J. Jeffrey Edens, Judge and Sally E Berish, Magistrate. A separate exit was held on December 6, 2016, with Heather Myers, County Auditor; Jeff Wolfe, President of the Board of County Commissioners; Steve Jacob, President of the County Council; Robert V. Clutter, County Attorney; Teresa K. Price, Deputy Auditor; and Crystal Raub, Deputy County Auditor.