

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ELKHART COUNTY, INDIANA

January 1, 2015 to December 31, 2015



FILED
12/29/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Pauline E. Graff	01-01-15 to 12-31-18
County Treasurer	Jackie L Meyers (Vacant) Larry Ernest	01-01-13 to 09-13-16 09-14-16 to 09-25-16 09-26-16 to 12-31-16
Clerk of the Circuit Court	Wendy S. Hudson	01-01-15 to 12-31-18
County Sheriff	Bradley D. Rogers	01-01-15 to 12-31-18
County Recorder	Jennifer Doriot	01-01-15 to 12-31-18
President of the Board of County Commissioners	Terry J. Rodino	01-01-15 to 12-31-16
President of the County Council	John K. Letherman	01-01-15 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of Elkhart County (County), for the period from January 1, 2015 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the County, which provides our opinions on the County's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

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

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

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

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

November 7, 2016

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COUNTY AUDITOR
ELKHART COUNTY

COUNTY AUDITOR
ELKHART COUNTY
FEDERAL FINDING

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

Condition

The County did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

During the audit of the SEFA, there were the following errors: CFDA 16.922 with \$180,161 expenditures was omitted, CFDA 93.563 was understated by \$311,773, and some program titles and pass-through agencies were incorrect. Audit adjustments were proposed and accepted by the County.

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).

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

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with section 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within a cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards

COUNTY AUDITOR
ELKHART COUNTY
FEDERAL FINDING
(Continued)

expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in section 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe the significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in section 200.414 Indirect (F&A) costs."

Cause

Management had not established a system of internal control that would have ensured proper 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.

Elkhart County Auditor's Office

CORRECTIVE ACTION PLAN

FINDING 2015-001

Contact Person Responsible for Corrective Action: Pauline E. Graff
Contact Phone Number: 574-535-6719

We concur with the finding.:

Description of Corrective Action Plan:

Inclusion of the Indirect Cost on the SEFA. We will be cross checking the Chart of Accounts with SEFA numbers to ensure all is reported correctly.

Anticipated Completion Date: January, 2017

Pauline E. Graff
(Signature)

Auditor
(Title)

11-7-16
(Date)

COUNTY AUDITOR
ELKHART COUNTY
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

At December 31, 2015, the financial statement included two funds, the Payroll Clearing and the State Grant-Tobacco Prenatal S, with overdrawn cash balances of \$2,207 and \$2,688, respectively.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR
ELKHART COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 7, 2016, with Pauline E. Graff, County Auditor; Terry J. Rodino, President of the Board of County Commissioners; Mike Yoder, Board of County Commissioners member; and John K. Letherman, President of the County Council.

COUNTY TITLE IV-D - COURT OFFICE
ELKHART COUNTY

COUNTY TITLE IV-D - COURT OFFICE
ELKHART COUNTY
FEDERAL FINDING

FINDING 2015-002 - 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): 2015
Pass-Through Entity: Indiana Department of Child Services

This is a repeat finding from the immediate prior year. The prior year finding number was 2014-002.

Condition

The Quarterly Incentive Expenditure reports for the Title IV-D Court Service office were not prepared or submitted to the state in 2015.

Context

There were four Quarterly Incentive Expenditure reports not prepared or submitted during 2015. The lack of control over these reports for the Title IV-D Court Service office is considered to be a material weakness.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

COUNTY TITLE IV-D - COURT OFFICE
ELKHART COUNTY
FEDERAL FINDING
(Continued)

2 CFR 200.207(a) states in part:

"The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed, in accordance with paragraphs (b) and (c) of this section . . .

(b) 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 that segregated key functions. Based on inquiry, there was confusion on whose responsibility it was to prepare and submit the reports.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls to ensure compliance and to comply with the Reporting requirements of the program.

Views of Responsible Officials

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



ELKHART SUPERIOR COURT VI

David C. Bonfiglio, Judge

County Courts Building
315 South Second Street • Elkhart, IN 46516
Phone: 574-523-2374 • Fax: 574-523-2392
dbonfiglio@elkhartcounty.com

CORRECTIVE ACTION PLAN

FINDING 2015-002

Contact Person Responsible for Corrective Action: Deborah A. Vergon
Contact Phone Number: 574-523-2396

Concur, in that the QIEs were not completed quarterly. There were several change of personnel through 2013-2014 and the continuity of procedure was lost in the transitions.

Description of Corrective Action Plan:

I took the Monthly Expenditure Claims for the year and re-accomplished the QIEs for our files and will further do the reports on a quarterly basis from this point forward.

Anticipated Completion Date:

Next quarterly report due will be 4th Quarter 2016 due in January 2017.

Deborah A. Vergon
Court Reporter, Supervisor
(Title) Title IV-D
11/7/16
(Date)

COUNTY TITLE IV-D - COURT OFFICE
ELKHART COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 7, 2016, with Deborah A. Vergon, Court Reporter, Superior 6 and Title IVD; Pauline E. Graff, County Auditor; Terry J. Rodino, President of the Board of County Commissioners; Mike Yoder, the Board of County Commissioners member; and John K. Letherman, President of the County Council.