

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

NOBLE COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED

01/27/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Jacqueline L. Knafel Tonya L. Marks	01-01-11 to 12-31-14 01-01-15 to 12-31-18
County Treasurer	Michele J. Bricker	01-01-13 to 12-31-16
Clerk of the Circuit Court	Michelle L. Mawhorter	01-01-13 to 12-31-16
County Sheriff	Douglas A. Harp	01-01-11 to 12-31-18
County Recorder	Candy B. Myers	01-01-13 to 12-31-18
County Prosecuting Attorney	Steven T. Clouse Eric D. Blackman	01-01-11 to 12-31-14 01-01-15 to 12-31-18
President of the Board of County Commissioners	Gary D. Leatherman	01-01-14 to 12-31-16
President of the County Council	Wayne F. Clouse Michael C. Toles	01-01-14 to 12-31-14 01-01-15 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF NOBLE COUNTY, INDIANA

This report is supplemental to our audit report of Noble 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, incorporated within this report, was not verified for accuracy.

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

December 19, 2016

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COUNTY AUDITOR
NOBLE COUNTY

COUNTY AUDITOR
NOBLE COUNTY
FEDERAL FINDINGS

FINDING 2014-001 - 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).

Context

During the audit of the SEFA, there were several errors including six programs which were omitted from the SEFA and nine programs were reported with errors. In total, the SEFA was understated by \$257,359. 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. . . ."

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

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

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

COUNTY AUDITOR
NOBLE COUNTY
FEDERAL FINDINGS
(Continued)

- (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."

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 *Context*.

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 TRANSACTIONS AND REPORTING

Condition

There were deficiencies in the internal control system of the County related to financial transactions and reporting. The County had not separated incompatible activities related to financial transactions and reporting. The County Auditor prepared and submitted the Annual Financial Report (AFR) which was used to generate the financial statement. The County did not have effective controls to verify the accuracy of the AFR prior to submission.

Context

The County is required to report all financial information in the AFR. This information is used to compile the financial statement. The County's financial statement (Gateway Report) contained numerous errors. Total receipts were overstated by \$65,296,707, total disbursements were overstated by \$84,161,550, and the ending balance was overstated \$61,247. Audit adjustments were proposed, accepted by the County, and made to the financial statement.

COUNTY AUDITOR
NOBLE COUNTY
FEDERAL FINDINGS
(Continued)

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

Management of the county had not established a proper system of internal control that would have ensured accuracy in financial transactions and reporting.

Effect

The failure to establish controls enabled material misstatements or irregularities to remain undetected. The financial statement contained errors as identified in the *Context*.

Views of Responsible Officials

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

NOBLE COUNTY AUDITOR

Tonya L. Marks

*Room 220 - Courthouse
101 N. Orange Street
Albion, Indiana 46701*

*Phone 260-636-2658
Fax: 260-636-4001
tmarks@nobleco.org*

Corrective Action Plan

Finding 2014-001 Preparation of the Schedule of Expenditures of Federal Awards

Auditee Contact Person(s)

Tonya L. Marks tmarks@nobleco.org 260-636-2658

Corrective Action:

Status of Audit Finding:

Noble County Auditor implemented additional internal controls policies in 2016 to maintain and correct errors on the Schedule of Expenditures of Federal Awards. With the guidance given by the State Board of Accounts this process will be much more manageable for future reporting. Additionally all departments that are involved with the grant process will be notified and reminded of the importance of providing the necessary paperwork to the Auditor's office. Finally controls over recording and accounting for the financial activities are in place to avoid any further problems with reporting. A second person has been assigned to oversee the preparation of the spread sheet and receipting and disbursing of each grant.



Tonya L Marks

Noble County Auditor

12/2/16

NOBLE COUNTY AUDITOR

Tonya L. Marks

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101 N. Orange Street
Albion, Indiana 46701*

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Corrective Action Plan

Finding 2014-002 Financial Transactions and Reporting

Auditee Contact Person

Tonya L Marks tmarks@nobleco.org 260-636-2658

Corrective Action:

Status of Audit Finding:

There were errors with the reporting of the Annual Financial Report with comparison to the Gateway submission. Further internal control policies have been implemented to track the accuracy of this report. A second and even a third person will be required to check all data entered into the Gateway system. Further action will consist of the Auditor also checking entries and overseeing the receipts and disbursements process.



Tonya L. Marks

Noble County Auditor

12/5/16

COUNTY AUDITOR
NOBLE COUNTY
AUDIT RESULTS AND COMMENTS

DISTRIBUTIONS TO LOCAL GOVERNMENTS

The County received distributions from the Auditor of State for County Adjusted Gross Income Tax (CAGIT) and County Economic Development Income Tax (CEDIT) on a monthly basis. These distributions were deposited in the County Treasurer's bank accounts on a monthly basis by an electronic funds transfer. The County Auditor then posted the distributions to the funds ledger. The County Auditor then distributed to the local governmental units of the County based on a predetermined formula. These distributions were made by the County Auditor anywhere from the same day the money was received to 28 days after the money was received.

Indiana Code 6-3.5-1.1-11.5 (CAGIT) states in part:

"(a) The county auditor shall timely distribute the part of the certified distribution received under section 10 of this chapter that constitutes property tax replacement credits to each civil taxing unit and school corporation that is a recipient of property tax replacement credits as provided by sections 12, 13, and 14 of this chapter. . . .

(c) A distribution is considered to be timely made if the distribution is made not later than ten (10) working days after the date the county treasurer receives the county's certified distribution under section 10 of this chapter."

Indiana Code 6-3.5-7-16.5 (CEDIT) states:

"(a) The county auditor shall timely distribute the certified distribution received under section 12 of this chapter to each city and town that is a recipient of a certified distribution.

(b) A distribution is considered to be timely made if the distribution is made not later than ten (10) working days after the date the county treasurer receives the county's certified distribution under section 12 of this chapter."

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	Excess Amount Expended
Cumulative Building Courthouse	\$ 250
Victim Witness	1,732

A similar comment appeared in prior Report B44719.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

COUNTY AUDITOR
NOBLE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

CREDIT CARDS

A test of credit card claims identified the following deficiencies:

1. Of the claims tested, 10 percent did not have adequate support documentation. This error resulted in a total of \$500 of expenditures without proper documentation.
2. Of the claims tested, 20 percent revealed payments of sales tax totaling \$41.

Indiana Code 5-11-10-1(b) states: "No warrant or check shall be drawn by a disbursing officer in payment of any claim unless the same has been fully itemized and its correctness properly certified to by the claimant or some authorized person in the claimant's behalf, and filed and allowed as provided by law."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

INTERNAL CONTROLS - EXCESS (SURPLUS) TAX

Internal controls over the recording and accounting for the financial activities of the Surplus Tax fund were insufficient due to a lack of oversight by County officials. The individual excess (surplus) tax records do not reconcile to the County Auditor's Funds Ledger, Surplus Tax fund. The County Auditor's Funds Ledger, Surplus Tax fund has a balance at December 31, 2014, of \$69,907. The individual excess (surplus) tax records' were maintained on worksheets that have since been updated which made it difficult to determine the cumulative balance at December 31, 2014.

A similar comment appeared in prior Report B44719.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

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 Auditors of Indiana, Chapter 14)

COUNTY AUDITOR
NOBLE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

COUNTY PRESCRIBED CHART OF ACCOUNTS

The County implemented the new chart of accounts prescribed by the Indiana State Board of Accounts as required by January 1, 2012. However, many of the fund numbers used were incorrect.

A similar comment appeared in prior Report B44719.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR
NOBLE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 19, 2016, with Jacqueline L. Knafel, former County Auditor; Tonya L. Marks, County Auditor; Michele J. Bricker, Treasurer; Gary D. Leatherman, President of the Board of County Commissioners; David J. Dolezal, Commissioner; David H. Abbott, Commissioner; and Dennis D. Graf, County Attorney.

COUNTY PROSECUTING ATTORNEY
NOBLE COUNTY

COUNTY PROSECUTING ATTORNEY
NOBLE COUNTY
FEDERAL FINDINGS

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

The County Prosecuting Attorney's office had not established an effective internal control system over requirements relating to Allowable Costs/Cost Principles. The County Prosecuting Attorney's office was required to maintain Semiannual Certifications for all full-time employees.

Context

There were no Semiannual Certifications submitted for full-time employees during the audit period. The County Prosecuting Attorney's office was not aware of this requirement until 2015, when CSB issued new procedures.

Criteria

OMB Circular A-87, Attachment B, item 8h(3), states:

"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."

COUNTY PROSECUTING ATTORNEY
NOBLE COUNTY
FEDERAL FINDINGS
(Continued)

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 that segregated key functions.

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 County.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls, including segregation of duties, related to the grant agreement and compliance requirement listed above.

Views of Responsible Officials

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

Eric D. Blackman, Prosecuting Attorney
33rd Judicial Circuit - Noble County, Indiana
Child Support Division
109 N. York Street, Albion, Indiana 46701
Telephone (260) 636-2494, Facsimile (260) 636-2093

CORRECTIVE ACTION PLAN

Finding 2014-003

Contact Person Responsible for Corrective Action: Laura Stump
Contact Phone Number : 260-636-2494

Views of responsible Official: We agree with finding

Description of Corrective Action Plan:

Change of Administration in 2015. We were unaware of the requirement of the semi-annual certification of employees paid 100 % from Child Support enforcement until June 2016. All current employees were employed by the IVD office in 2015 and 2016 to date. All employees who were 100 % Child Support have signed the Semi- Annual IV-D Time and Effort Certification for 2015 and 2016 to date.

Anticipated Completion Date:

Plan is already in effect



Eric D. Blackman, Prosecutor
12/12/2016

COUNTY PROSECUTING ATTORNEY
NOBLE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 19, 2016, with Eric D. Blackman, County Prosecuting Attorney.