

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

NOBLE COUNTY, INDIANA

January 1, 2015 to December 31, 2015



**FILED**  
01/27/2017



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Tonya L. Marks	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	01-01-15 to 12-31-18
County Recorder	Candy B. Myers	01-01-13 to 12-31-18
County Prosecuting Attorney	Eric D. Blackman	01-01-15 to 12-31-18
President of the Board of County Commissioners	Gary D. Leatherman	01-01-15 to 12-31-16
President of the County Council	Michael C. Toles	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, 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/](http://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 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).

*Context*

During the audit of the SEFA, there were several errors including seven programs which were omitted from the SEFA and eight programs were reported with errors. In total, the SEFA was understated by \$413,152. 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)

2 CFR section 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 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 § 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 the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards 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.

COUNTY AUDITOR  
NOBLE COUNTY  
FEDERAL FINDINGS  
(Continued)

- (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 § 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 that 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 § 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 *Context*.

*Views of Responsible Officials*

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

**FINDING 2015-002 - 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 \$26,186,225, total disbursements were overstated by \$27,524,040, and the ending balance was understated \$3,066,688. 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 2015-001 Preparation of the Schedule of Expenditures of Federal Awards

Auditee Contact Person(s)

Tonya L. Marks [tmarks@nobleco.org](mailto: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*

*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 2015-002 Financial Transactions and Reporting

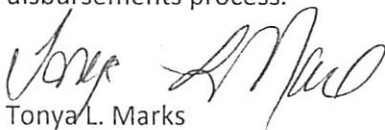
Auditee Contact Person

Tonya L Marks [tmarks@nobleco.org](mailto: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	\$ 352
Victim Witness	5,419
CAGIT Certified Shares	83,646

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, 12 percent did not have adequate supporting documentation. This error resulted in a total of \$305 of expenditures without proper documentation.
2. Of the claims tested, 24 percent revealed payments of sales tax totaling \$78.
3. Of the claims tested, 8 percent had interest payments and late fee charges totaling \$331.

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)

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."

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)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (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, 2015, of \$25,723. 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, 2015.

A similar comment appeared in the prior report.

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)

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AUDIT RESULTS AND COMMENTS  
(Continued)

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 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 the prior report.

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, County 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.