

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

GREENE COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
03/06/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Matthew W. Baker Patricia L. Baker	01-01-11 to 12-31-14 01-01-15 to 12-31-18
County Treasurer	Kelly Zimmerly Nicole L. Stahl	01-01-13 to 12-31-16 01-01-17 to 12-31-20
Clerk of the Circuit Court	Susan Fowler	01-01-11 to 12-31-18
County Sheriff	Terry Pierce Michael L. Hasler	01-01-11 to 12-31-14 01-01-15 to 12-31-18
County Recorder	Stuart Dowden	01-01-11 to 12-31-18
President of the County Council	W. Edward Cullison Jerry R. Frye	01-01-14 to 12-31-14 01-01-15 to 12-31-17
President of the Board of County Commissioners	Rick Graves Nathan L. Abrams Ed Michael	01-01-14 to 12-31-14 01-01-15 to 12-31-16 01-01-17 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF GREENE COUNTY, INDIANA

This report is supplemental to our audit report of Greene 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

January 17, 2017

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COUNTY AUDITOR
GREENE COUNTY

COUNTY AUDITOR
GREENE 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).

The County prepared and submitted the SEFA without effective controls to ensure its accuracy before submission. The ARRA - State Broadband Data and Development Grant Program (11.558), Wildlife Restoration and Basic Hunter Education (15.611), Edward Byrne Memorial Justice Assistance Grant Program (16.738), and Social Security_Disability Insurance (96.001) grants were omitted from the SEFA. Additionally, the Child Support Enforcement program expenditures were understated in the amount of \$189,189.

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
GREENE 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 to ensure proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operates 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 - INTERNAL CONTROLS OVER FINANCIAL
TRANSACTIONS AND REPORTING - COUNTY AUDITOR**

Condition

The following deficiency in the internal control system of the County related to financial transactions and reporting.

Lack of Segregation of Duties: The County had not separated incompatible activities related to Financial Reporting and Closing process to include the County financial statements in the State of Indiana Gateway reporting portal. The County Auditor both uploaded and approved the information included in the Gateway Portal.

Financial Transactions: Eleven Auditor of State distributions totaling \$938,259, received by the County from November 11, 2014 to December 30, 2014, were not recorded in the financial records until January 2015. There were four distributions that were considered material to the affected fund. They were \$229,763 for Motor Vehicle Highway, \$467,222 for the COIT Distribution, \$75,164 for the CVET Agency, and \$80,169 for the Financial Institution Tax fund. Audit adjustments were proposed, accepted by the County, and made to these funds reported in the financial statement.

COUNTY AUDITOR
GREENE 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)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (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.

Effect

The failure to establish controls enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the County at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

Views of Responsible Officials

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

Greene County Auditor
Patricia L. Baker
Greene County Courthouse
1 E. Main St.
Bloomfield, In. 47424

Phone 812-384-2008 E-mail: patty.baker@co.greene.in.us

Fax 812-384-2041

January 17, 2017

Contact Person Responsible for Corrective Action: Patricia L. Baker, Greene County Auditor

Contact Phone Number: (812) 384-2008

Anticipated Completion Date: January 31, 2017

Corrective Action Plan

Finding 2014-001

Corrective Action Plan:

The Auditor's Office will work to develop proper means to accurately track the Schedule of Expenditures of Federal Awards (SEFA) for Greene County, including the CFDA numbers, the amounts received and disbursed, and the Federal agency and program. This may be done in the form of an electronic spreadsheet.

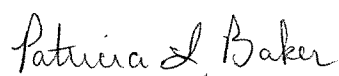
The Auditor's Office will reach out to those offices and departments who apply for and obtain Federal grant funds and compare this to the Federal Grants site in order to better maintain an accurate reporting of these Federal grant awards.

Finding 2014-002

The Auditor's Office will work closely with the Treasurer's Office to establish a schedule for the prompt handling and processing of EFT's and receipts in a timely manner.

The Auditor's Office will work to establish the proper segregation of duties and internal controls needed to reduce the risk for errors.

Respectfully yours,



Patricia L. Baker

Greene County Auditor

COUNTY AUDITOR
GREENE COUNTY
AUDIT RESULTS AND COMMENTS

APPROPRIATIONS

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

Fund	Excess Amount Expended
Local Road and Street	\$ 52,567

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."

OVERDRAWN CASH BALANCES

The financial statement presented included the following funds with overdrawn cash balances at December 31, 2014:

Fund	Amount Overdrawn
Local Road and Street	\$ 32,847
Tax Sale Redemption	2,488
UDWI Revolving Loan	26,001
Payroll Clearing	49,900
Settlement	1,428
Financial Institution Tax	62
HEA 1001 State Homestead Credit	3,729

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 1)

COUNTY AUDITOR
GREENE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on January 17, 2017, with Matthew W. Baker, former County Auditor; Patricia L. Baker, County Auditor; Nathan L. Abrams, Board of County Commissioners member; and Jerry R. Frye, President of the County Council.

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COUNTY TREASURER
GREENE COUNTY

COUNTY TREASURER
GREENE COUNTY
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Each month a depository reconciliation of the fund balances to the bank account balances was conducted; however, not all differences between the bank account balance and the Treasurer's Daily Balance of Cash and Depositories (Cash Book) were identified. As previously reported, the County Council approved an adjustment to reconcile the books as of December 31, 2013. It was noted however, that the January 31, 2014 reconciliation still was not accurate. The unknown difference as of December 31, 2014, was \$17,441 cash short.

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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

COUNTY TREASURER EXCISE, SURTAX, AND WHEEL TAX

As reported in the prior audit, the Vehicle License Excise Tax line on the Treasurer's Cash Book includes excise and both surtax and wheel tax collections. As a result, even though the settlement for license excise was properly prepared and completed, the composition of license excise, wheel tax, and other excise taxes was never analyzed.

Indiana Code 6-3.5-4-13(a) states: "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'."

Indiana Code 6-3.5-5-15(a) states: "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'."

. . . The treasurer's receipt should be issued for the excise tax and it is entered to the excise tax account in the Other Sources Section of the Cashbook. In the counties where wheel tax and surtax have been adopted, the wheel tax and surtax is deposited by quietus to the county auditor's wheel tax/surtax fund or the individual funds each. . . (The County Bulletin and Uniform Compliance Guidelines, April 2014)

COUNTY TREASURER
GREENE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on January 17, 2017, with Kelly Zimmerly, former County Treasurer; Nicole L. Stahl, County Treasurer; Nathan L. Abrams, Board of County Commissioners member; and Jerry R. Frye, President of the County Council.

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CLERK OF THE CIRCUIT COURT
GREENE COUNTY

CLERK OF THE CIRCUIT COURT
GREENE COUNTY
FEDERAL FINDING

**FINDING 2014-003 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS
AND REPORTING - CLERK OF THE CIRCUIT COURT**

Condition

There were several deficiencies in the internal control system of the Clerk of the Circuit Court related to financial transactions and reporting.

Lack of Segregation of Duties: During the audit period, the Clerk of the Circuit Court had not separated incompatible activities related to receipts, disbursements, and cash balances. The person that performed bank reconciliations also collected receipts and made the bank deposits. There were no controls in place to ensure the information was accurate and complete. Several employees were entering transactions to the accounting system under the Clerk of the Circuit Court's log in on the system.

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 Clerks of the Circuit Courts of Indiana, Chapter 13)

Access to information stored on the computer must be protected through the use of user identification codes and confidential passwords. These passwords must meet the following criteria:

Each user must have a unique user identification code and password. . . .

User identification codes and passwords may not be shared. . . .

(Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 2)

Cause

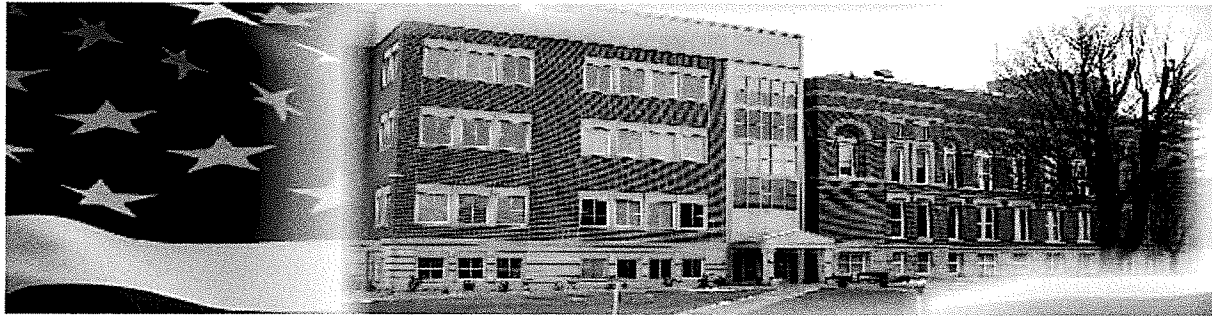
Management of the Clerk of the Circuit Court had not established a proper system of internal control.

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the Clerk of the Circuit Court at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

Views of Responsible Officials

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



Greene County Clerk of Circuit & Superior Courts

PO Box 229
Bloomfield IN 47424

Phone 812-384-8532
Fax 812-384-8458

January 17, 2017

Corrective Action Plan for: 2014-003

Description of Corrective Action Plan:

All employees now take payments from their desks using their own sign-in. Three employees now take turns balancing the receipts each evening; each of them overseeing the others.

Anticipated Completion Date: January 2, 2015

Contact Person Responsible for Corrective Action: Susan Fowler

Contact Phone Number: 812-384-8532

Susan Fowler

(Signature)

Clerk

(Title)

January 17 2017

(Date)

CLERK OF THE CIRCUIT COURT
GREENE COUNTY
AUDIT RESULT AND COMMENT

CONDITION OF RECORDS

As stated in the prior report, financial records presented for audit for the Clerk of the Circuit Court's funds were incomplete and not reflective of the activity of the Clerk of the Circuit Court's funds. The records presented included a print out from an old MHI account with a detail of accounts payable (trust items) that did not agree to the amount being used as the cash fund balance. This is an old account that cannot be converted to the new Odyssey financial accounting system. It contains many unidentified posting errors made over a long period of time.

The MHI account records included an outstanding check list, but it was not being used as part of the reconciliation of the account. As of December 31, 2014, the detail to the control ledger was \$53,193 short; the amount of this difference as of December 31, 2013, was \$52,887. The cash reconciliation using the outstanding check list for the MHI account was \$3,149 short.

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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 1)

CLERK OF THE CIRCUIT COURT
GREENE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on January 17, 2017, with Nathan L. Abrams, Board of County Commissioners member, and Jerry R. Frye, President of the County Council.

The contents of this report were discussed on January 18, 2017, with Susan Fowler, Clerk of the Circuit Court.