

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

PUTNAM COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
03/14/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
County Auditor:	
Federal Findings:	
Finding 2014-001 - Internal Controls over Financial Transactions and Reporting	6-7
Finding 2014-002 - Preparation of the Schedule of Expenditures of Federal Awards	7-8
Corrective Action Plan	9
Audit Results and Comments:	
CEDIT Distributions.....	10
Overdrawn Cash Balances	10-11
Reconcilement Between County Treasurer and County Auditor	11
Exit Conference	12
County Treasurer:	
Audit Results and Comments:	
Deposits	14
Reconcilement Between County Treasurer and County Auditor	14
Exit Conference	15
County Planning And Zoning:	
Audit Result and Comment:	
Bank Account Reconciliations.....	18
Exit Conference	19

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Lorie Hallett	01-01-13 to 12-31-20
County Treasurer	Sharon Owens Kathy Minnick	01-01-13 to 12-31-16 01-01-17 to 12-31-20
Clerk of the Circuit Court	Marty Watts Heather Gilbert	01-01-11 to 12-31-14 01-01-15 to 12-31-18
County Sheriff	Steve Fenwick Scott Stockton	01-01-11 to 12-31-14 01-01-15 to 12-31-18
County Recorder	Opal Sutherlin Tracey Bridges	01-01-11 to 12-31-14 01-01-15 to 12-31-18
County Planning and Zoning	Sandy Amers, Director Douglas Ehmen, Director Brett A. Wagner, Director Jessica Jones, Director (interim)	01-01-14 to 07-11-14 07-12-14 to 03-29-15 03-30-15 to 12-31-16 01-01-17 to 12-31-17
President of the Board of County Commissioners	Donald Walton David E. Berry	01-01-14 to 12-31-14 01-01-15 to 12-31-17
President of the County Council	Darrel L. Thomas	01-01-14 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDIANAPOLIS, INDIANA 46204-2769

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TO: THE OFFICIALS OF PUTNAM COUNTY, INDIANA

This report is supplemental to our audit report of Putnam 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 24, 2017

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COUNTY AUDITOR
PUTNAM COUNTY

COUNTY AUDITOR
PUTNAM COUNTY
FEDERAL FINDINGS

FINDING 2014-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition

As stated in the four prior audit reports, the County Auditor had not established proper procedures for a separate review or approval of the financial information reported in the Gateway Annual Financial Report prior to its submission. The financial activity for 13 County funds and 4 County department funds were omitted from the financial statement. In addition, there were several other reporting errors in various funds. The errors resulted in a net understatement of the beginning cash and investment balance, receipts, disbursements, and the ending cash and investment balance in the amounts of \$3,770,331, \$8,520,790, \$6,289,081, and \$2,255,032, respectively.

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

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the publication, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. This includes control activities. According to this publication:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner, whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes. An integral part of the control activity component is segregation of duties. . . . There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

Cause

Management of the County had not established a proper system of internal control, including segregation of duties.

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 would not prevent or detect material misstatements in a timely manner.

COUNTY AUDITOR
PUTNAM COUNTY
FEDERAL FINDINGS
(Continued)

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 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition

There was a deficiency in the internal control system of the County related to the preparation of the Schedule of Expenditures of Federal Awards (SEFA). The County did not have a proper system of internal control in place to prevent, or detect and correct, errors on the SEFA. The County Auditor prepared the SEFA. There was no evidence of a control such as an oversight, review, or approval process to ensure that the SEFA was materially correct.

The SEFA contained the following errors: Federal expenditures for eight of the ten reported grants were misstated for a net understatement of \$377,527 and two federal grants were omitted; CDBG - State Administered CDBG Cluster and Boating Safety Financial Assistance, in the amounts of \$107,865 and \$7,880, respectively. These errors resulted in a total net understatement of Federal expenditures of \$493,272.

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

Cause

Management had not established a system of internal controls 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*.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the publication, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. This includes control activities. According to this publication:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner, whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes. An integral part of the control activity component is segregation of duties. . . . There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

COUNTY AUDITOR
PUTNAM COUNTY
FEDERAL FINDINGS
(Continued)

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.
- (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."

View of Responsible Officials

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

PUTNAM COUNTY AUDITOR'S OFFICE

1 W. WASHINGTON ST., RM 20
GREENCASTLE, IN 46135
(765) 653-5513

CORRECTIVE ACTION PLAN

FINDING 2014-001 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Lorie Hallett
Contact Phone Number: 765-653-5513

Views of Responsible Official: We concur with the finding

Corrective Action Plan:

The Putnam County Auditor is in the process of developing procedures and internal controls to insure all departments are included and funds are reported accurately in Gateway system. A process will be implemented for separate review prior to submission.

Anticipated Completion Date: 12/31/17

FINDING 2014-002 – PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action: Lorie Hallett
Contact Phone Number: 765-653-5513

Views of Responsible Official: We concur with the finding

Corrective Action Plan:

The Putnam County Auditor is in the process of developing procedures and internal controls and working with all departments to ensure that grant information is accurate and all correct information is reported on the Schedule of Expenditures of Federal Awards. The Auditor will develop a review process to detect and correct errors.

Anticipated Completion Date: 12/31/17


Lorie Hallett, Auditor

1-18-17
Date

COUNTY AUDITOR
PUTNAM COUNTY
AUDIT RESULTS AND COMMENTS

CEDIT DISTRIBUTIONS

The County Economic Development Income Tax (CEDIT) fund is to be used as a clearing fund to account for the CEDIT Distributions received from the State and subsequently distributed by the county to the appropriate taxing units. The fund should have a zero balance; however, the CEDIT Distribution fund had a balance of \$143,942 at January 1, 2014, and \$135,239 at December 31, 2014. A balance in a distribution fund can be an indication that not all distributions have been properly remitted to the County fund or to other local governments.

Indiana Code 6-3.5-7-16.5 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."

OVERDRAWN CASH BALANCES

The financial statements presented in this report included the following funds with overdrawn cash balances at December 31, 2014:

<u>Fund</u>	<u>Amount Overdrawn</u>
CAGIT County Certified Shares	\$ 1,068,558
CEDIT County Share	8,268
Extradition Fund	1,005
Local Health Maintenance	6,240
Tax Sale Redemption	5,088
Sheriff Insurance Reimbursement	60
Payroll Withholding - Health	226,199
Animal Shelter	4,792

COUNTY AUDITOR
 PUTNAM COUNTY
 AUDIT RESULTS AND COMMENTS
 (Continued)

Fund	Amount Overdrawn
Aflac	2,025
Payroll Withholding - Life	3,968
Payroll Withholding - PERF	189
Payroll Withholding - State	513
Payroll Withholding Wage Garni	925
Overweight Vehicle Fines	766
Victims Assistance	20,897
Child Advocacy	300
Stop Women's Abuse Team	7,599
District 7 Fire Training	109,090

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 Counties of Indiana, Chapter 1)

RECONCILEMENT BETWEEN COUNTY TREASURER AND COUNTY AUDITOR

The County Treasurer's and County Auditor's Ledger balances do not agree. At December 31, 2014, the County Auditor's Ledger balance was \$23,323 less than the County Treasurer's Ledger balance.

At the close of each calendar month a Monthly Financial Statement, County Form No. 61, shall be prepared, showing the financial transactions for the month and year to date, for each fund and in total.

The county treasurer is also required to independently prepare a Monthly Financial Statement on the same form and the two statements must be reconciled. If any differences exist between the records of the auditor and the treasurer, they must be identified and immediate steps taken to bring the records of the two offices into agreement.

The statements are prescribed to be placed in a post-binder and shall be carefully preserved as a permanent record. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

COUNTY AUDITOR
PUTNAM COUNTY
EXIT CONFERENCE

The contents of this report were discussed on January 24, 2017, with Lorie Hallett, County Auditor; Evelyn J. Williams, First Deputy Auditor; David E. Berry, President of the Board of County Commissioners; and Darrel L. Thomas, President of the County Council.

COUNTY TREASURER
PUTNAM COUNTY

COUNTY TREASURER
PUTNAM COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

DEPOSITS

Receipts were deposited later than the next business day and not deposited intact for 36 percent of receipts tested.

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . . Public funds deposited . . . shall be deposited in the same form in which they were received."

RECONCILEMENT BETWEEN COUNTY TREASURER AND COUNTY AUDITOR

The County Treasurer's and County Auditor's Ledgers do not agree. At December 31, 2014, the County Auditor's Ledger balance was \$23,323 less than the County Treasurer's Ledger balance.

The Monthly Financial Statement, Form 61, is a permanent record prepared from the treasurer's funds ledger at the close of each month. It is prepared after all postings to the ledger have been completed for the month and reflects the total receipts and disbursements and the balance for each fund for the month and for the year to date. The statement must agree with a similar statement kept by the county auditor, giving consideration to any adjustments required to reconcile the ledgers of the two offices. (Accounting and Uniform Compliance Guidelines Manual for Treasurers of Indiana, Chapter 5)

COUNTY TREASURER
PUTNAM COUNTY
EXIT CONFERENCE

The contents of this report were discussed on January 24, 2017, with Sharon Owens, former County Treasurer, by telephone; Kathy Minnick, County Treasurer; Lorie Hallett, County Auditor; Evelyn J. Williams, First Deputy Auditor; David E. Berry, President of the Board of County Commissioners; and Darrel L. Thomas, President of the County Council.

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COUNTY PLANNING AND ZONING
PUTNAM COUNTY

COUNTY PLANNING AND ZONING
PUTNAM COUNTY
AUDIT RESULT AND COMMENT

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balance to the bank account balance were not presented for audit for the 12 months of the audit period.

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."

COUNTY PLANNING AND ZONING
PUTNAM COUNTY
EXIT CONFERENCE

The contents of this report were discussed on January 24, 2017, with Jessica Jones, Interim Director; Lorie Hallett, County Auditor; Evelyn J. Williams, First Deputy Auditor; David E. Berry, President of the Board of County Commissioners; and Darrel L. Thomas, President of the County Council.