

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SHELBY COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
05/10/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Amy L. Glackman Mary Jo Phares	01-01-11 to 12-31-14 01-01-15 to 12-31-18
County Treasurer	Tawnya J. Williams Kathy Plunkett	01-01-11 to 12-31-14 01-01-15 to 12-31-18
Clerk of the Circuit Court	Vicki R. Franklin	01-01-11 to 12-31-18
County Sheriff	Michael D. Bowlby Dennis Parks	01-01-11 to 12-31-14 01-01-15 to 12-31-18
County Recorder	Mary Jo Phares Tawnya J. Williams	01-01-11 to 12-31-14 01-01-15 to 12-31-18
President of the Board of County Commissioners	Kevin Nigh	01-01-14 to 12-31-17
President of the County Council	Scott M. Asher Tony Titus	01-01-14 to 12-31-14 01-01-15 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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TO: THE OFFICIALS OF SHELBY COUNTY, INDIANA

This report is supplemental to our audit report of Shelby 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

March 29, 2017

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COUNTY AUDITOR
SHELBY COUNTY

COUNTY AUDITOR
SHELBY 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 Auditor was primarily responsible for compiling and inputting the SEFA information into the Indiana Gateway for Government Units financial system. There was no control in place to ensure the SEFA information submitted was accurate.

The following errors occurred:

1. Highway Planning and Construction program expenditures were understated by \$596,238.
2. Child Support Enforcement program expenditures were understated by \$251,133.
3. Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii program expenditures were understated by \$76,528.
4. Substance Abuse and Mental Health Services Projects of Regional and National Significance program expenditures were understated by \$68,448.
5. Grant program expenditures of \$145,355 were included on the SEFA in error.

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

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 manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"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. . . ."

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. . . ."

COUNTY AUDITOR
SHELBY COUNTY
FEDERAL FINDINGS
(Continued)

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."

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.

COUNTY AUDITOR
SHELBY COUNTY
FEDERAL FINDINGS
(Continued)

FINDING 2014-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition

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

Lack of Segregation of Duties: The County had not separated incompatible activities related to financial close and reporting. The County Auditor was primarily responsible for inputting and submitting the County's financial information into the Indiana Gateway for Government Units financial system, which is the source for the Annual Financial Report and financial statement. There was no control in place to ensure the financial information reported was accurate.

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 manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"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. . . ."

Cause

Management of the County 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.

Views of Responsible Officials

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

COUNTY AUDITOR
SHELBY COUNTY
FEDERAL FINDINGS
(Continued)

FINDING 2014-004 - INTERNAL CONTROL OVER CHILD SUPPORT ENFORCEMENT

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): 2014
Pass-Through Entity: Indiana Department of Child Services

Condition

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Availability of Federal Funds, and Reporting.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Cash Management

The County Prosecutor's office had one employee primarily responsible for compliance with Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Cash Management.

Period of Availability of Federal Funds

The County Prosecutor's office had one employee primarily responsible for monitoring that expenditures claimed for reimbursement met Period of Availability of Federal Funds requirements.

Reporting

The County Prosecutor's office and the County Auditor's office each had one employee primarily responsible for compliance with Reporting requirements. The same individual was responsible for both preparing and submitting required reports.

Context

The lack of internal controls was a systemic problem affecting the grant award listed above.

Criteria

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.

COUNTY AUDITOR
SHELBY COUNTY
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system placed the County at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

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 requirements listed above.

Views of Responsible Officials

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



MARY JO PHARES SHELBY COUNTY AUDITOR

25 W Polk Street Room 104, Shelbyville, IN 46176
Phone: (317) 392-6310 Fax: (317) 392-6382

CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for Corrective Action: Mary Jo Phares
Contact Phone Number: 317-392-6310

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

The County is in the process of implementing better controls over the receipting, disbursing and recording of accounting for the financial records.

Anticipated Completion Date: 2017

FINDING 2014-002

Contact Person Responsible for Corrective Action: Mary Jo Phares
Contact Phone Number: 317-392-6310

Views of Responsible Official: We Concur with the finding

Description of Corrective Action Plan:

The County is in the process of implementing a Grant Policy and Procedure Guideline that will be required for all Departments to fill out for every Grant request. The Department will have to specify if this is a State or Federal Grant and supply our Office with the necessary information that is needed to comply with the regulations required.

In the future this should alleviate the omission of any Federal Grants in our reports.

Anticipated Completion Date: September 2016



MARY JO PHARES
SHELBY COUNTY
AUDITOR

25 W Polk Street Room 104, Shelbyville, IN 46176
Phone: (317) 392-6310 Fax: (317) 392-6382

FINDING 2014-004

Contact Person Responsible for Corrective Action: Mary Jo Phares
Contact Phone Number: 317-392-6310

Views of Responsible Official: We Concur with the finding

Description of Corrective Action Plan:

The County Auditor will continue to just sign off on the reports that are prepared by Maximus. The Auditor's Office sends the reports monthly to Maximus for preparation. At this time no changes will be made on how this procedure is handled. The Auditor's office now files reports with the Department of Child Services Accounting Operations. I believe they take the Auditor's reports and Prosecutor & Clerk reports and compare.

Anticipated Completion Date: This started in September of 2016

Anticipated Completion Date:

Mary Jo Phares
(Signature)

Auditor
(Title)

1/12/2017
(Date)

COUNTY AUDITOR
SHELBY COUNTY
AUDIT RESULTS AND COMMENTS

APPROPRIATIONS

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

Fund	Year	Excess Amount Expended
Local Road and Street	2014	\$ 250,098
Cumulative Bridge	2014	344,440

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 of the County included the following funds with overdrawn cash balances at December 31, 2014:

Fund	Amount Overdrawn
CAGIT County Certified Shares	\$ 62,351
Guardian Ad Litem	485
Settlement	101
Settlement fund	4,252
Community Corrections Juvenile	2,250
93.041 Adult Protective Service 2013	128,730

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
SHELBY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 29, 2017, with Amy L. Glackman, Deputy County Auditor; Mary Jo Phares, County Auditor; Kevin Nigh, President of the Board of County Commissioners; and Tony Titus, President of the County Council.

COUNTY PROSECUTING ATTORNEY
SHELBY COUNTY

COUNTY PROSECUTING ATTORNEY
SHELBY COUNTY
FEDERAL FINDING

FINDING 2014-004 - INTERNAL CONTROL OVER CHILD SUPPORT ENFORCEMENT

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): 2014
Pass-Through Entity: Indiana Department of Child Services

Condition

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Availability of Federal Funds, and Reporting.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Cash Management

The County Prosecutor's office had one employee primarily responsible for compliance with Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Cash Management.

Period of Availability of Federal Funds

The County Prosecutor's office had one employee primarily responsible for monitoring that expenditures claimed for reimbursement met Period of Availability of Federal Funds requirements.

Reporting

The County Prosecutor's office and the County Auditor's office each had one employee primarily responsible for compliance with Reporting requirements. The same individual was responsible for both preparing and submitting required reports.

Context

The lack of internal controls was a systemic problem affecting the grant award listed above.

COUNTY PROSECUTING ATTORNEY
SHELBY COUNTY
FEDERAL FINDING
(Continued)

Criteria

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 an effective internal control system placed the County at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

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 requirements listed above.

Views of Responsible Officials

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



OFFICE OF THE
SHELBY COUNTY PROSECUTING ATTORNEY
JAMES B. LANDWERLEN

16TH JUDICIAL CIRCUIT

CORRECTIVE ACTION PLAN

FINDING 2014-004: INTERNAL CONTROL OVER CHILD SUPPORT ENFORCEMENT

Contact Person Responsible for Corrective Action: Victoria Atkins
Contact Phone Number: 317-392-6442

We concur with the findings.

Description of Corrective Action Plan:

Beginning in May 2015, the QIEs and MECs have been prepared by the Deputy Prosecutor and certified by a caseworker. This is the current practice of the office.

Anticipated Completion Date: already completed

Victoria Atkins
Deputy Prosecutor
1/12/2017

JENNIFER KINSLEY

CHIEF
DEPUTY PROSECUTING ATTORNEY

EDWARD C. ZYCH

DEPUTY PROSECUTING ATTORNEY

R. SCOTT SPEARS

DEPUTY PROSECUTING ATTORNEY

JILL A. GAGNON

DEPUTY PROSECUTING ATTORNEY

VICTORIA M. ATKINS

DEPUTY PROSECUTING ATTORNEY

CASSANDRA THOMAS

INVESTIGATOR

JERRY KIEFER

MARY ANN TURNER

ADULT PROTECTIVE SERVICES
INVESTIGATORS

REBECCA MILLER

VICTIM ASSISTANCE COORDINATOR

**SHELBY COUNTY
COURTHOUSE**

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SHELBYVILLE, INDIANA 46176

(317) 392-6440

CRIMINAL DIVISION

(317) 392-6442

CHILD SUPPORT DIVISION

(317) 398-8847

FAX NUMBER

www.shelbyprosecutor.com

COUNTY PROSECUTING ATTORNEY
SHELBY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 11, 2017, with R. Kent Apsley, former County Prosecuting Attorney.

The contents of this report were also discussed on March 29, 2017, with Amy L. Glackman, Deputy County Auditor; Mary Jo Phares, County Auditor; Kevin Nigh, President of the Board of County Commissioners; and Tony Titus, President of the County Council.

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COUNTY HIGHWAY
SHELBY COUNTY

COUNTY HIGHWAY
SHELBY COUNTY
FEDERAL FINDING

FINDING 2014-003 - PERIOD OF AVAILABILITY OF FEDERAL FUNDS

Federal Agency: Department of Transportation

Federal Program: Highway Planning and Construction

CFDA Number: 20.205

Federal Award Numbers and Years (or Other Identifying Numbers): DES# 0600117; DES# 0600118;
DES# 9380756; DES# 0100361;
DES# 1382080; DES# 968219

Pass-Through Entity: Indiana Department of Transportation

Condition

An effective internal control system was not in place at the County to ensure compliance with the requirements related to the grant agreement and the following compliance requirement: Period of Availability of Federal Funds.

Period of Availability of Federal Funds

The County had one employee responsible for compliance with Period of Availability of Federal Funds requirements.

Context

The lack of internal controls was a systemic problem affecting all grant awards listed above.

Criteria

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. . . ."

COUNTY HIGHWAY
SHELBY COUNTY
FEDERAL FINDING
(Continued)

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system placed the County at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

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 the compliance requirement listed above.

Views of Responsible Officials

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

Board of Commissioners

Kevin Nigh
Donald Parker
Chris Ross
John C. DePrez, IV, Attorney



Shelby County, Indiana

25 West Polk Street, Room 206
Shelbyville, Indiana 46176
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CORRECTIVE ACTION PLAN

FINDING 2014-003

Contact Person Responsible for Corrective Action: Kevin Nigh
Contact Phone Number: 317-392-6330

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The attached sheet will be reviewed and signed by one of the Shelby County Commissioners for each claim sent to INDOT.

Anticipated Completion Date:

After the Corrective Action Plan has been approved and the County has been officially notified of the approval.

Kevin Nigh
(Signature)

Commissioner
(Title)

1/24/2017
(Date)

COUNTY HIGHWAY
SHELBY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 29, 2017, with Amy L. Glackman, Deputy County Auditor; Mary Jo Phares, County Auditor; Kevin Nigh, President of the Board of County Commissioners; and Tony Titus, President of the County Council.

COUNTY SHERIFF
SHELBY COUNTY

COUNTY SHERIFF
SHELBY COUNTY
AUDIT RESULT AND COMMENT

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the Sheriff's Inmate Trust fund balances to the bank account balances were conducted; however, the reconciliation at December 31, 2014, included outstanding checks, but a detailed list of outstanding checks was not presented for audit.

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 SHERIFF
SHELBY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 29, 2017, with Dennis Parks, County Sheriff; Nancy Holmes, Secretary; Kevin Nigh, President of the Board of County Commissioners; and Tony Titus, President of the County Council.