

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

DEARBORN COUNTY, INDIANA

January 1, 2014 to December 31, 2014



**FILED**  
05/19/2017



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Gayle L. Pennington	01-01-11 to 12-31-18
County Treasurer	Phillip D. Weaver (Vacant) Barbara Scherzinger	01-01-13 to 10-24-16 10-25-16 to 11-07-16 11-08-16 to 12-31-20
Clerk of the Circuit Court	Richard Probst	01-01-13 to 12-31-20
County Sheriff	Michael J. Kreinhop	01-01-11 to 12-31-18
County Recorder	Glenn D. Wright	01-01-11 to 12-31-18
President of the Board of County Commissioners	Shane McHenry	01-01-14 to 12-31-17
President of the County Council	Dennis A. Kraus, Sr. Randy Lyness Elizabeth J. Morris	01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-17



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF DEARBORN COUNTY, INDIANA

This report is supplemental to our audit report of Dearborn 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/](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 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 21, 2017

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COUNTY PROSECUTOR  
DEARBORN COUNTY

COUNTY PROSECUTOR  
DEARBORN COUNTY  
FEDERAL FINDING

***FINDING 2014-001 - INTERNAL CONTROLS 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: IN Department of Child Services

*Condition*

An effective internal control system was not in place at the County in order to ensure compliance with the 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 and Allowable Costs/Cost Principles*

The County Prosecutor's office had one employee primarily responsible for compliance with Activities Allowed or Unallowed and Allowable Costs/Cost Principles requirements. There was no control in place to ensure the County complied with Activities Allowed or Unallowed and Allowable Costs/Cost Principles requirements.

*Cash Management*

The County Prosecutor's office had one employee primarily responsible for monitoring that program costs were paid by the County prior to requesting reimbursement. There was no control in place to ensure the County complied with Cash Management requirements.

*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. There was no control in place to ensure the County complied with Period of Availability of Federal Funds requirements.

*Reporting*

The County Prosecutor's office had one employee primarily responsible for compliance with Reporting requirements. The same employee was responsible for both preparing and submitting required reports. There was no control in place to ensure the County complied with Reporting requirements.

COUNTY PROSECUTOR  
DEARBORN COUNTY  
FEDERAL FINDING  
(Continued)

*Context*

The lack of controls over the requirements listed above was a systemic problem. There were no controls over these areas during the audit period.

*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 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.



LYNN M. DEDDENS  
Prosecuting Attorney

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January 24, 2017

**FINDING 2014-001 Internal Controls Over Child Support Enforcement**

Lynn M. Deddens  
Prosecuting Attorney for Dearborn & Ohio County  
812-537-8884

I became aware through the audit of the Internal Controls Over Child Support Enforcement that there was an issue concerning segregation of duties. This problem was remedied in 2015. The practice that remedied the issue in 2015 and that is currently in place provides that one person prepares the grant and I as the Prosecutor, review and sign off on the grant.

If you have additional questions, feel free to contact me.

Very truly yours,

Lynn M. Deddens  
Prosecuting Attorney

7th Judicial Circuit - Dearborn and Ohio Counties  
Courthouse  
215 West High Street, Lawrenceburg, Indiana 47025  
812/537-8884 Telephone 812/537-4295 Fax

COUNTY PROSECUTOR  
DEARBORN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on March 21, 2017, with Lynn M. Deddens, County Prosecutor.

The contents of this report were also discussed on March 21, 2017, with Gayle L. Pennington, County Auditor; Shane McHenry, President of the Board of County Commissioners; Elizabeth J. Morris, President of the County Council; and Leah Bailey, Financial Controller.

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COUNTY HIGHWAY  
DEARBORN COUNTY

COUNTY HIGHWAY  
DEARBORN COUNTY  
FEDERAL FINDING

***FINDING 2014-002 - INTERNAL CONTROLS OVER DISASTER GRANTS -  
PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)***

Federal Agency: Department of Homeland Security  
Federal Program: Disaster Grants - Public Assistance (Presidentially Declared Disasters)  
CFDA Number: 97.036  
Federal Award Number and Year (or Other Identifying Number): 029-UHZU2-00-PA 1997  
Pass-Through Entity: IN Department of Homeland Security

*Condition*

An effective internal control system was not in place related to the grant agreement and the following compliance requirements: Matching, Reporting, and Special Tests and Provisions - Project Accounting.

*Matching*

The County Highway Department had one employee primarily responsible for compliance with the Matching requirements. There was no control in place to ensure the County complied with the Matching requirements.

*Reporting*

The County Highway Department had one employee primarily responsible for compliance with the Reporting requirements. The same employee was responsible for both preparing and submitting required reports. There was no control in place to ensure the County complied with Reporting requirements.

*Special Tests and Provisions - Project Accounting*

The County Highway Department had one employee primarily responsible for compliance with the Special Tests and Provisions - Project Accounting requirements. The same employee prepared and submitted the Project Completion and Certification Report. There was no control in place to ensure the County complied with the Special Tests and Provisions - Project Accounting requirements.

*Context*

The lack of controls over the compliance requirements listed above was a systemic problem. There were no controls over these areas during the audit period.

COUNTY HIGHWAY  
DEARBORN 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 related to the grant agreement and the 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.



# DEARBORN COUNTY AUDITOR

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**Gayle Pennington**  
215-B West High Street  
Lawrenceburg, IN 47025  
Office: 812-537-8816  
Fax: 812-537-5534

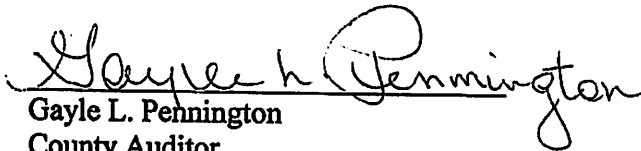
## CORRECTIVE ACTION PLAN

FINDING 2014-002 – INTERNAL CONTROLS OVER DISASTER GRANTS – PUBLIC ASSISTANCE  
(PRESIDENTIALLY DECLARED DISASTERS)

Contact Person: Tim Greive  
Title: County Highway Superintendent  
Phone Number: (812) 655-9394

### Status of Finding:

In the event of future emergencies the Dearborn County Highway Department will use the grant application process in place at this time to be signed by the Commissioners and Council. Any financial reports that pass through will be reviewed and initialed by the financial controller prior to submission to the state.

  
Gayle L. Pennington  
County Auditor

Date: 3/15/17

COUNTY HIGHWAY  
DEARBORN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on March 21, 2017, with Tim Greive, Highway Superintendent.

The contents of this report were also discussed on March 21, 2017, with Gayle L. Pennington, County Auditor; Shane McHenry, President of the Board of County Commissioners; Elizabeth J. Morris, President of the County Council; and Leah Bailey, Financial Controller.

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COUNTY COUNCIL  
DEARBORN COUNTY

COUNTY COUNCIL  
DEARBORN COUNTY  
AUDIT RESULTS AND COMMENTS

**DONATIONS OF RIVERBOAT ADMISSION TAX FUNDS**

The County receives admission taxes derived from a riverboat gaming facility. During the year 2014, the County distributed \$1,866,866 of riverboat admissions tax to various governmental entities pursuant to revenue sharing agreements. The amount was paid from the Riverboat Admissions fund.

Indiana Code 4-33-12 (Admission Taxes) does not contain provisions authorizing a county to enter into agreements with units of local government to share a county's share of admission taxes.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

A similar comment was reported in the prior Reports B31158, B32742, B34942, B37354, B39092, B40793, B43415, and B44608.

**INTERNAL CONTROL - FINANCIAL ASSISTANCE TO ENTITIES**

The County Council has been the governing body primarily responsible for authorizing financial assistance to nongovernmental entities. During the year 2014, the County provided financial assistance to nongovernmental entities totaling \$466,612. However, the County did not enter into contracts, grant agreements, or memorandums of understanding describing the purpose of the financial assistance or how the financial assistance was to be used. In addition, without a contract, grant agreement, or memorandum of understanding, there is no guarantee that the entities were adequately informed of the reporting and examination requirements in Indiana Code 5-11-1.

A contract, grant agreement, or memorandum of understanding is a starting point in establishing internal controls to provide assurance that public funds paid to other entities are being used for intended public purposes. The County made the following payments to nongovernmental entities from its Riverboat Admissions and Riverboat Revenue funds without a contract, grant agreement, or memorandum of understanding during the year 2014:

Entity	Totals
Volunteer Fire Departments (1)	\$ 213,356
Emergency Service Units (2)	160,017
Private Schools (3)	93,239
Total	\$ 466,612

Notes to Schedule:

- (1) Total payments made to twelve volunteer fire departments from the Riverboat Admission fund.
- (2) Total payments made to nine emergency service units from the Riverboat Admissions fund.
- (3) Total payments made to five private schools from the Riverboat Revenue fund.

COUNTY COUNCIL  
DEARBORN COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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. . . ."

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

A similar comment was reported in prior Reports B43415 and B44608.

COUNTY COUNCIL  
DEARBORN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on March 21, 2017, with Elizabeth J. Morris, President of the County Council; Gayle L. Pennington, County Auditor; Shane McHenry, President of the Board of County Commissioners; and Leah Bailey, Financial Controller.