

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

DEARBORN COUNTY, INDIANA

January 1, 2015 to December 31, 2015



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	01-01-15 to 12-31-18
County Treasurer	Phillip 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	01-01-15 to 12-31-17
President of the County Council	Randy Lyness Elizabeth J. Morris	01-01-15 to 12-31-15 01-01-16 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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, 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/.

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 HIGHWAY
DEARBORN COUNTY

COUNTY HIGHWAY
DEARBORN COUNTY
FEDERAL FINDING

**FINDING 2015-001 - INTERNAL CONTROL OVER HIGHWAY
PLANNING AND CONSTRUCTION CLUSTER**

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# 1382107; DES# 1005308;
DES# 1005702; DES# 1382004;
DES# 1400676

Pass-Through Entity: Indiana Department of Transportation

Condition

An effective internal control system was not in place related to the grant agreement and the following compliance requirements: Cash Management, Matching, and Period of Performance.

Cash Management

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

Matching

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

Period of Performance

The County had one employee primarily responsible for monitoring that costs charged to the program complied with Period of Performance requirements. There was no control in place to ensure the County complied with Period of Performance requirements.

Context

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

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.

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 which is part of this report.



DEARBORN COUNTY AUDITOR

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

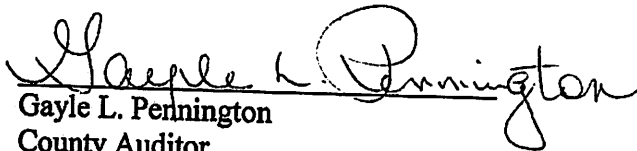
CORRECTIVE ACTION PLAN

FINDING 2015-001 – INTERNAL CONTROL OVER HIGHWAY PLANNING AND CONSTRUCTION CLUSTER

Contact Person: Todd Listerman
Title: County Highway Engineer
Phone Number: (812) 655-9394

Status of Finding:

Upon notification of deficiency a corrective action plan was implemented. The county engineer now sends the claim vouchers for federal project reimbursement to the Auditor's Office for review prior to submission. Any financial reports or claims that pass through will be reviewed and initialed by the financial controller prior to submission to INDOT.


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, County 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 2015, the County distributed \$1,508,024 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 must be limited to those authorized by the enabling law, 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 2015, the County provided financial assistance to nongovernmental entities totaling \$384,894. 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.

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 2015:

Entity	Totals
Volunteer Fire Departments (1)	\$ 172,465
Emergency Service Units (2)	129,349
Private Schools (3)	83,080
Total	\$ 384,895

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 must be supported by a written contract. Each 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.

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; and Leah Bailey, Financial Controller.