

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MIAMI COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
05/23/2017

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---|-------------------------------------|--|
| County Auditor | Jane E. Lilley Mary Brown | 01-01-13 to 12-31-16 01-01-17 to 12-31-20 |
| County Treasurer | Rebecca Morris Annette Phillippo | 01-01-13 to 07-31-16 08-01-16 to 12-31-20 |
| Clerk of the Circuit Court | Tawna Leffel Sands | 01-01-11 to 12-31-18 |
| County Sheriff | Tim Miller | 01-01-11 to 12-31-18 |
| County Recorder | Brenda Weaver Rhonda Trexler | 01-01-13 to 12-31-16 01-01-17 to 12-31-20 |
| President of the County Council | Ralph Duckwall Ethan Manning | 01-01-14 to 12-31-16 01-01-17 to 12-31-17 |
| President of the Board of County Commissioners | Joshua D. Francis | 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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TO: THE OFFICIALS OF MIAMI COUNTY, INDIANA

This report is supplemental to our audit report of Miami 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, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

March 8, 2017

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COUNTY AUDITOR
MIAMI COUNTY

COUNTY AUDITOR
MIAMI COUNTY
FEDERAL FINDINGS

FINDING 2014-001 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition

The County had not properly implemented a system of internal control to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The County had not monitored the internal control system in place to ensure that controls were properly designed and operating effectively. One person was solely responsible for preparing the SEFA and another person reviewed and verified the SEFA. The SEFA presented for audit contained the following material errors:

1. Formula Grants for Rural Areas expenditures were overstated \$76,787.
2. Child Support Enforcement expenditures were understated \$51,157.

Other errors included the following:

1. Seven grants were reported with an incorrect program title.
2. Five grants were reported with an incorrect grant identifying number.
3. The Highway Planning and Construction and State and Community Highway Safety grants were not presented on the original SEFA.

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:

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

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
MIAMI 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 properly implemented a system of internal control that would have ensured proper reporting of the SEFA. Additionally, the internal control system was not monitored by the County.

Effect

Without an effective system of internal control in place that operated effectively, material misstatements of the SEFA remained 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, misstatements in a timely manner. The SEFA contained the errors identified in the *Condition*.

COUNTY AUDITOR
MIAMI 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 - FINANCIAL REPORTING - COUNTY AUDITOR

Condition

There were deficiencies in the internal control system of the County related to financial reporting that constituted material weaknesses. The County Auditor had not properly implemented effective internal controls over activities related to the Annual Financial Report (AFR) and financial statement. The Deputy County Auditor inputted the County's financial information into the Indiana Gateway for Governmental Units financial system, which is the source of the AFR and the financial statement. The County Auditor verified the financial information that was entered. The County had not monitored the internal control system in place to ensure that controls were properly designed and operated effectively. The following error occurred on the AFR and the financial statement:

Instead of reporting the change in the cash and investment balance, the Treasurer's Trust fund reported all activity, even the amounts that were already reported in the County Auditor's ledger. This error resulted in material overstatements of the AFR and financial statement for both receipts and disbursements of \$25,109,026.

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

COUNTY AUDITOR
MIAMI COUNTY
FEDERAL FINDINGS
(Continued)

Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

Cause

Management had not properly implemented a system of internal control that would have ensured proper reporting of the AFR and financial statement. Additionally, the internal control system was not monitored by the County.

Effect

The failure to establish a proper system of internal controls enabled 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, 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.

FINDING 2014-005 - SUBRECIPIENT MONITORING

Federal Agency: Department of Housing and Urban Development

Federal Program: Community Development Block Grants/State's
program and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): B-12-DC-18-0001

Pass-Through Entity: Indiana Office of Community and Rural Affairs

Condition

Management of the County had not established an effective internal control system related to the grant agreement and the Subrecipient Monitoring compliance requirement. The following deficiency constituted a material weakness.

The County had not monitored their subrecipient per the Subrecipient Agreement. Required quarterly reports were not prepared by the subrecipient and thus were not monitored by the County.

COUNTY AUDITOR
MIAMI COUNTY
FEDERAL FINDINGS
(Continued)

Context

The County had a lack of internal controls and had not properly monitored subrecipients.

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. . . ."

2 CFR 200.331 states in part:

"All pass-through entities must:

(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

- (1) Reviewing financial and programmatic reports required by the pass-through entity. . . ."

Cause

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

Effect

The failure to establish internal controls enabled material noncompliance to go undetected which could have resulted in the loss of federal funds to the County.

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 Subrecipient Monitoring compliance requirement.

Views of Responsible Officials

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

**AUDITOR MIAMI COUNTY
MARY BROWN
25 NORTH BROADWAY
PERU, IN 46970
765-472-3901 EXT. 1240**

CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for Corrective Action: Mary Brown
Contact Phone Number: 765-472-3901 ext. 1240

Views of Responsible Official:

We concur with the finding in the 2014 Miami County Audit. The County will take the necessary steps to improve the reporting of grants while working to find sound internal controls to ensure accurate reporting.

Description of Corrective Action Plan:

The Auditor's Office has implemented the following corrective action plan in response to the 2014-001 Schedule of Expenditures of Federal Awards. The Auditor will compile and track all grants for reporting on the annual financial report. The Auditor will receive all grant paperwork, review and then provide to the Chief Deputy Auditor to log all grant information submitted into a spreadsheet, which includes the addition of a reporting requirement mechanism in an effort to reduce errors.

Prior to entering or submitting the report in Gateway for the annual report, the Chief Deputy Auditor will review all files, expenditures, receipts and other pertinent information associated with each grant as provided by the Auditor to ensure that the reporting is accurate. Once the information has been reviewed for accuracy, the Chief Deputy will sign the SEFA schedule attesting to the accuracy of the information and noting any corrections that may potentially need to be made. The Chief Deputy's signature on the schedule will verify the information recorded is correct. The Auditor will then enter and submit the SEFA information into Gateway. The Auditor will also sign the SEFA schedule attesting that the

information entered and submitted on behalf of the County. The Auditor will provide the reviewed and signed documentation upon request during the next audit.

Anticipated Completion Date: 3/1/2017

|

Mary Br
(Signature)

Auditor
(Title)

3/1/17
(Date)

**AUDITOR MIAMI COUNTY
MARY BROWN
25 NORTH BROADWAY
PERU, IN 46970
765-472-3901 EXT. 1240**

CORRECTIVE ACTION PLAN

FINDING 2014-005

Contact Person Responsible for Corrective Action: Mary Brown
Contact Phone Number: 765-472-3901 ext. 1240

Views of Responsible Official:

We concur with the finding in the 2014 Miami County Audit. The County will take the necessary steps to improve the monitoring of grants that would adhere to the sub-recipient agreement as entered into by the county and corresponding grant recipient.

Description of Corrective Action Plan:

The Auditor's Office has implemented the following corrective action plan in response to the 2014-005 grant monitoring. The Auditor's Office has implemented a monitoring mechanism for all grants to ensure we are adhering to the terms and conditions of the sub-recipient grant agreements. In addition to the existing tracking and reporting spreadsheet, an additional field has been added to include monitoring requirements and reminders.

The Auditor will review the grant sub-recipient agreement prior to forwarding the paperwork and the Chief Deputy Auditor will enter the due dates or requirements into the spreadsheet for tracking. After all the grant information has been reviewed by the Auditor, the Chief Deputy will also verify the information and enter it into the tracking spreadsheet. The Auditor or Chief Deputy will enter reporting deadline utilizing a shared calendar to ensure timely reporting as required in the agreement. The spreadsheet will include a field to note which person has entered the reporting due dates into the shared calendar. The shared calendar reminder will notify both the Auditor and Chief Deputy that reporting is

due. The Auditor will follow-up with the grant writer if applicable or department head that submitted for the grant if there are reporting issues.

Anticipated Completion Date: 3/1/2017

Waryn P
(Signature)

Auditor
(Title)

3/1/17
(Date)

COUNTY AUDITOR
MIAMI COUNTY
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

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

| <u>Fund</u> | <u>Amount Overdrawn</u> |
|--------------------|-----------------------------|
| Local Option Tax | \$ 19 |
| Sheriff Retirement | 687 |
| Gross State Tax | 26 |
| Adult Probation | 15,063 |

A similar comment appeared in prior Report B43859.

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 unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

COMPENSATION AND BENEFITS

Compensation and benefits paid to employees did not always agree with the rate of pay approved per the salary ordinance. Five employees tested were paid less than the approved salary ordinance and three employees tested were paid more than the approved salary ordinance. Per inquiry, the original salary ordinance included raises which were never approved. The hardcopy of the salary ordinance was not corrected prior to the Board signing the document.

Compensation and benefits were also paid to the County Auditor and Deputy County Auditor for meeting stipends which were not included in the payroll system, nor were they on the approved salary ordinance. The compensation and benefits paid to these two employees totaled \$1,320.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

**AUDITOR MIAMI COUNTY
MARY BROWN
25 NORTH BROADWAY
PERU, IN 46970
765-472-3901 EXT. 1240**

March 8, 2017

State Board of Accounts
302 W Washington Street, Rm E 418
Indianapolis, IN 46204-2765

RE: OFFICIAL RESPONSE-Miami County 2014 Audit

This letter is in response to the comment in the 2014 Miami County Audit addressing the overdrawn cash balance. The overdrawn cash balance is a direct result of a lack of probation fee collections in relation to the approved appropriated budget. The County was forced to make cuts to budgets and staff back in 2012 and required any department that had other funds available use for expenses, to include salaries in an effort to cut within the county general budget. The Chief Probation Officer advised the Council for many years that fee collections were down, mostly in part to the economic downturn and because of this; the fund could not support the budgets long-term.

Beginning in 2017, the Council has moved expenses from the probation fund back to county general to help alleviate the shortfalls that have been occurring for the last several years. The Auditor, in partnership with the Judges have implemented a review process of the fund to ensure we are maintaining a positive cash balance.

In 2014, the County made several budget cuts, to include staff. The Auditor's Office prepared the salary ordinance to have signed at the adoption hearing, but due to many changes, including some last minute, the salary ordinance had discrepancies causing it to appear that some employees received less compensation. For ensuing years, the salary ordinance has been prepared as per the 2nd reading with no changes made at the final adoption. This has helped to reduce errors in reporting.

Also in 2014, the salary ordinance included meeting stipends, which were paid to the Auditor or Chief Deputy Auditor. The meeting stipends were not included on the salary ordinance in error. The county was not made aware of the reporting error until late 2016 and has since made the correction for the 2017 salary ordinance.

Sincerely,



Mary Brown
Miami County Auditor

COUNTY AUDITOR
MIAMI COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 8, 2017, with Mary Brown, County Auditor; Jane E. Lilley, former County Auditor; Joshua D. Francis, President of the Board of County Commissioners; and Ethan Manning, President of the County Council.

COUNTY TREASURER
MIAMI COUNTY

COUNTY TREASURER
MIAMI COUNTY
FEDERAL FINDING

FINDING 2014-003 - FINANCIAL TRANSACTIONS AND REPORTING - COUNTY TREASURER

Condition

There were deficiencies in the internal control system of the County Treasurer related to financial transactions and reporting. The following deficiencies constituted material weaknesses.

Lack of Segregation of Duties: There was no evidence to verify bank deposits were prepared by an employee and, subsequently, reviewed by a second employee to ensure amounts deposited agreed with amounts collected.

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 a proper system of internal controls could have enabled 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.

Annette Phillippo
Miami County Treasurer
25 N. Broadway
Peru, IN 46970
765-472-3901

CORRECTIVE ACTION PLAN

Finding 2014-003

Contact Person Responsible for Corrective Action: Annette Phillippo, Treasurer
Contact Phone Number: 765-472-3901 ext. 1227

Views of Responsible Official:
With coming into office 2017 – following is the internal control we have put in place.

Description of Corrective Action Plan:

1st Deputy Treasurer prepares total deposit of daily receipts and reconciles with tax collections reports, quietus' from Auditors office and EFT's showing in bank's on line activity review. The Total deposit is entered into the collection log. The Treasurer or other authorized staff person verifies the deposit and enters their numbers in the collection log and initials. These two amounts must equal.

Compare and verify the balance of all depositories to the bank statement monthly.

Annette Phillippo
(Signature)

Treasurer
(Title)

3/18/17
(Date)

COUNTY TREASURER
MIAMI COUNTY
AUDIT RESULT AND COMMENT

DESIGNATED DEPOSITORY

County funds in the amount of \$7,478,266 at December 31, 2014, were deposited with Morgan Stanley, an investment company that is not a designated depository under Indiana Code 5-13-9-2.5.

Indiana Code 5-13-9-2.5 states in part:

"(a) An officer designated in section 1 of this chapter may invest or reinvest funds that are held by the officer and available for investment in investments commonly known as money market mutual funds that are in the form of securities of or interest in an open-end, no-load, management-type investment company or investment trust registered under the provisions of the federal Investment Company Act of 1940, as amended (15 U.S. C. 80a et seq.).

(b) The investments described in subsection (a) shall be made through depositories designated by the state board of finance as depositories for state deposits under IC 5-13-9.5
...."

COUNTY TREASURER
MIAMI COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 8, 2017, with Annette Phillippo, County Treasurer; Joshua D. Francis, President of the Board of County Commissioners; and Ethan Manning, President of the County Council.

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CLERK OF THE CIRCUIT COURT
MIAMI COUNTY

CLERK OF THE CIRCUIT COURT
MIAMI COUNTY
FEDERAL FINDING

***FINDING 2014-004 - FINANCIAL TRANSACTIONS AND
REPORTING - CLERK OF THE CIRCUIT COURT***

Condition

There were deficiencies in the internal control system of the Clerk of the Circuit Court (Clerk) related to financial transactions and reporting that constituted material weaknesses.

Lack of Segregation of Duties:

The Clerk had not separated incompatible activities related to cash and investments. There were no documentable controls over the bank account reconciliations prepared by the Deputy Clerk.

The Clerk had not separated incompatible activities related to receipts. Multiple employees used one of two cash drawers to receipt in all receipts other than support. Initials of the employee responsible for collecting each receipt were manually typed in the comment section of each receipt. There was no evidence to document that daily receipts collected were verified by another employee prior to and after deposit.

The Clerk had not separated incompatible activities related to disbursements. One Deputy Clerk was responsible for processing, recording, and signing (via stamp) checks. There are two employees who are involved in the disbursement process, one for Child Support and one for Trust disbursements.

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:

CLERK OF THE CIRCUIT COURT
MIAMI COUNTY
FEDERAL FINDING
(Continued)

"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 a proper system of internal controls could have enabled 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.



State of Indiana

51st Judicial Circuit

Tawna Leffel Sands
Miami County Clerk
tleffel@miamicountyin.gov

25 N. Broadway
Room 208
Peru, IN 46970

2nd Floor
(765) 472-3901
Fax (765) 472-1778

CORRECTIVE ACTION PLAN

FINDING 2014-004

Contact Person Responsible for Corrective Action: TAWNA LEFFEL SANDS, CLERK
Contact Phone Number: 765-472-3901 Ext. 1256

SBOA FINDINGS:

"The Clerk had not separated incompatible activities related to cash and investments. There were no documentable controls over the bank account reconcilements prepared by the Deputy Clerk."

CLERK VIEWS:

I DO NOT AGREE WITH THE FINDINGS THAT THE CLERK HAD NOT SEPARATED INCOMPATIBLE ACTIVITIES RELATED TO CASH AND INVESTMENTS. ALL RECONCILEMENTS ARE MADE ON A DAILY BASIS. THE MONTHLY REPORTS THAT ARE PREPARED BY THE BOOKKEEPER ALWAYS COME TO ME FIRST AND I CHECK THEM OVER BEFORE THEY ARE STAMPED AND SENT TO THE AUDITOR. I PERSONALLY GET THE REPORT OF COLLECTIONS FROM THE AUDITOR MONTHLY AND ALWAYS RECONCILE WITH OUR MONTHLY REPORTS.

I CONCUR THAT THERE IS NO DOCUMENTATION TO BACK THE APPROVAL OF THE MONTHLY REPORT WITH THE EXCEPTION OF HAVING MY OWN RECORDS AS WELL AS THE BOOKKEEPER'S. IN ORDER TO BE MORE IN COMPLIANCE, I WILL PERSONALLY SIGN EACH MONTHLY REPORT AFTER CHECKING IT OVER INSTEAD OF ALLOWING THE BOOKKEEPER TO USE MY SIGNATURE STAMP.

SBOA FINDINGS:

"The Clerk had not separated incompatible activities related to receipts. Multiple employees use one of two cash drawers to receipt in all receipts other than support. Initials of the employee responsible for collecting each receipt are manually typed in the comment section of each receipt."

CLERK VIEWS:

I CONCUR IN PART. THE INCOMPATIBLE ACTIVITIES RELATED TO RECEIPTS WERE SEPARATED BY EACH DEPUTY PUTTING THEIR INITIALS ON EACH RECEIPT. WE WOULD BE ABLE TO TELL WHO PUT WHAT RECEIPT IN BY THE INITIALS SHOWN ON THE AVAILABLE REPORTS.

I CONCUR THAT MANY EMPLOYEES USE THE SAME DRAWER FOR THEIR RECEIPTS IN MONIES.

CORRECTION ACTION. IN ORDER TO CORRECT THIS MATTER WITH THE RESOURCES WE HAVE AVAILABLE, THE AMOUNT OF EMPLOYEES USING TERMINALS 1 AND 2 WILL BE REDUCED. CERTAIN EMPLOYEES WILL BE CONFINED TO RECEIPTING MONEY TO A SPECIFIC DRAWER.

ALSO, THE BALANCING OF THE DRAWERS WILL BE DONE BY TWO DEPUTIES AND PROOF SHOWN BY TWO INITIALS ON THE DEPOSIT SLIPS. WE WILL CONTINUE THE PRACTICE OF RUNNING A TAPE FOR THE DEPOSIT, MAKING A COPY FOR THE OFFICE AND ONE SENT TO THE BANK. WHEN THE DEPOSIT SLIPS ARE RETURNED THE NEXT BUSINESS DAY, THE CALCULATOR TAPE WILL BE RECONCILED WITH THE DEPOSIT SLIP AND INITIALED BY THE CLERK OR THE BACK-UP BOOKKEEPER. THIS ACTION WILL START RIGHT AWAY.

SBOA FINDINGS:

"The Clerk had not separated incompatible activities related to disbursements. One Deputy Clerk was responsible for processing, recording and signing (via stamp) checks. There are two employees who are involved in the disbursement process, one for Child Support and one for Trust disbursements."

CLERK VIEWS:

I CONCUR IN PART. THE PROCESS RELATED TO DISBURSMENTS ARE OVERSEEN BY THE BOOKKEEPER, THE CHILD SUPPORT DEPUTY AND MYSELF.

CORRECTION ACTION: TO CORRECT THE FINDINGS BY SHOWING DOCUMENTATION OF THIS, I WILL INITIAL THE REPORTS USED TO RUN THE CHECKS FOR THE MONTH AND ALSO STAMP THE CHECKS AFTER THEY HAVE BEEN RUN BY THE BOOKKEEPER AND CHILD SUPPORT CLERK. THIS WILL START IMMEDIATELY.



Tawna Leffel Sands, Clerk
Miami Circuit and Superior Courts
March 17, 2017

CLERK OF THE CIRCUIT COURT
MIAMI COUNTY
AUDIT RESULT AND COMMENT

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the Clerk of the Circuit Court fund balances to the bank account balances were conducted; however, the reconciliation of some accounts did not balance. At December 31, 2014, the bank reconciliation contained an unidentified variance of \$808.

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
MIAMI COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 8, 2017, with Tawna Leffel Sands, Clerk of the Circuit Court; Joshua D. Francis, President of the Board of County Commissioners; and Ethan Manning, President of the County Council.