

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

GREENE COUNTY, INDIANA

January 1, 2015 to December 31, 2015



FILED
05/23/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Patricia L. Baker	01-01-15 to 12-31-18
County Treasurer	Kelly Zimmerly Nicole L. Stahl	01-01-13 to 12-31-16 01-01-17 to 12-31-20
Clerk of the Circuit Court	Susan Fowler	01-01-15 to 12-31-18
County Sheriff	Michael L. Hasler	01-01-15 to 12-31-18
County Recorder	Stuart Dowden	01-01-15 to 12-31-18
President of the County Council	Jerry R. Frye	01-01-15 to 12-31-17
President of the Board of County Commissioners	Nathan L. Abrams Edward L. Michael	01-01-15 to 12-31-16 01-01-17 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF GREENE COUNTY, INDIANA

This report is supplemental to our audit report of Greene 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 14, 2017

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COUNTY AUDITOR
GREENE COUNTY

COUNTY AUDITOR
GREENE COUNTY
FEDERAL FINDINGS

**FINDING 2015-001 - 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 prepared and submitted the SEFA without effective controls to ensure its accuracy before submission. The Wildlife Restoration and Basic Hunter Education (15.611), Interagency Hazardous Materials Public Sector Training and Planning Grants (20.703), Social Security_Disability Insurance (96.001), and Homeland Security Grant Program (97.067) were omitted from the SEFA. The Highway Planning and Construction (20.205), Crime Victim Assistance (16.575), Child Support Enforcement (93.563), and Emergency Management Performance Grants (97.042) were misstated on the SEFA. Federal expenditures on the SEFA were understated \$295,214.

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. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through

COUNTY AUDITOR
GREENE COUNTY
FEDERAL FINDINGS
(Continued)

entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe the significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

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.

**FINDING 2015-002 - INTERNAL CONTROLS OVER FINANCIAL
TRANSACTIONS AND REPORTING - COUNTY AUDITOR**

Condition

The following deficiencies in the internal control system of the County existed in relation to financial transactions and reporting:

COUNTY AUDITOR
GREENE COUNTY
FEDERAL FINDINGS
(Continued)

Lack of Segregation of Duties: The County had not separated incompatible activities related to the financial reporting and closing process to include the County financial statements in the State of Indiana Gateway reporting portal. The County Auditor both uploaded and approved the information included in the Gateway portal.

Financial Transactions: Eight Auditor of State distributions totaling \$372,588 received by the County from December 2, 2015 to December 31, 2015, were not recorded in the financial records until January 2016.

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, including segregation of duties.

Effect

The failure to establish controls 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.

Greene County Auditor
Patricia L. Baker
Greene County Courthouse
1 E. Main St.
Bloomfield, In. 47424

Phone 812-384-2008 E-mail: patty.baker@co.greene.in.us

Fax 812-384-2041

February 21, 2017

Contact Person Responsible for Corrective Action: Patricia L. Baker, Greene County Auditor

Contact Phone Number: (812) 384-2008

Anticipated Completion Date: February 21, 2017

Corrective Action Plan

Finding 2015-001

Corrective Action Plan:

The Auditor's Office will work to develop proper means to accurately track the Schedule of Expenditures of Federal Awards (SEFA) for Greene County, including the CFDA numbers, the amounts receipted and disbursed, and the Federal agency and program. This may be done in the form of an electronic spreadsheet.

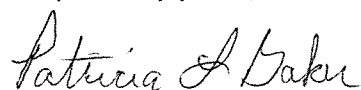
The Auditor's Office will reach out to those offices and departments who apply for and obtain Federal grant funds and compare this to the Federal Grants site in order to better maintain an accurate reporting of these Federal grant awards.

Finding 2015-002

The Auditor's Office will work closely with the Treasurer's Office to establish a schedule for the prompt handling and processing of EFT's and receipts in a timely manner.

The Auditor's Office will work to establish the proper segregation of duties and internal controls needed to reduce the risk for errors.

Respectfully yours,



Patricia L. Baker

Greene County Auditor

COUNTY AUDITOR
GREENE COUNTY
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The financial statement presented for audit included the following funds with overdrawn cash balances at December 31, 2015:

Fund	Amount Overdrawn
Mobile Home Tax Sale	\$ 981
Howesville Ditch	223
UDWI Revolving Loan	130,005
Payroll Clearing	99,781
Settlement	1,420
CVET Agency	84,412
Financial Institution Tax	98,494
Project Income 05/06	<u>2,664</u>
Total	<u>\$ 417,980</u>

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. In an instance where a unit receives a reimbursement grant, the unit must be claiming reimbursement in a timely manner. In this case, it would be possible for a fund to be overdrawn for a short period of time. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

ERRORS ON CLAIMS

A test of ten claims for compliance indicated that three were not approved by the Board, which resulted in \$3,370 in disbursements without proper Board approval.

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;

COUNTY AUDITOR
GREENE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

CREDIT CARDS

Two credit card disbursements tested lacked adequate supporting documentation (receipts) for several of the purchases made. One statement lacked supporting documentation for eight of twenty-six purchases and the other lacked documentation for fifteen of forty-four purchases. We were unable to verify the purpose of the purchases made.

The County's credit card policy section 5.16 states:

"When the purpose for which the credit card has been issued has been accomplished, the card and all supporting documents (i.e. receipts) shall be submitted to the custody of the Auditor's Office.

Payment of County credit cards should not be made on the basis of a statement or a credit card slip only. Credit card payments must be made through the statutory claims process. If interest or penalty is incurred due to late filing or furnishing of documentation by an officer or employee, such interest or penalty shall be the responsibility of that officer or employee.

County issued credit cards are the property of Greene County and employees are required to return such cards and all supporting documents upon request. If a card is lost or stolen, the employee should report the missing card immediately to the Auditor's Office."

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

APPROPRIATIONS

The records presented for audit indicated that the Cumulative Capital Development fund had expenditures of \$30,710 in excess of budgeted appropriations.

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."

COUNTY AUDITOR
GREENE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 14, 2017, with Patricia L. Baker, County Auditor; Edward L. Michael, President of the Board of County Commissioners; Jerry R. Frye, President of the County Council; Kelly Zimmerly, former County Treasurer; and Nichole L. Stahl, County Treasurer.

COUNTY TREASURER
GREENE COUNTY

COUNTY TREASURER
GREENE COUNTY
AUDIT RESULTS AND COMMENTS

COUNTY TREASURER EXCISE, SURTAX, AND WHEEL TAX

As reported in the two previous audit Reports, B44610 and B47757, the Vehicle License Excise Tax line on the Treasurer's Cash Book includes excise and both surtax and wheel tax collections. As a result, even though the settlement for license excise was properly prepared and completed, the composition of license excise, wheel tax, and other excise taxes was never analyzed.

Indiana Code 6-3.5-4-13(a) states: "In the case of a county that does not contain a consolidated city of the first class, the county treasurer shall deposit the surtax revenues in a fund to be known as the '_____County Surtax Fund'."

Indiana Code 6-3.5-5-15(a) states: "In the case of a county that does not contain a consolidated city, the county treasurer shall deposit the wheel tax revenues in a fund to be known as the "County Wheel Tax Fund."

The treasurer's receipt should be issued for the excise tax and it is entered to the excise tax account in the Other Sources Section of the Cashbook. In the counties where wheel tax and surtax have been adopted, the wheel tax and surtax is deposited by quietus to the county auditor's wheel tax/surtax fund or the individual funds each. (The County Bulletin and Uniform Compliance Guidelines, April 2014)

BANK ACCOUNT RECONCILIATIONS

As was noted in the previous audit Report, B47757, each month a depository reconciliation of the fund balances to the bank account balances was conducted; however, not all differences between the bank account balance and the County Treasurer's Cash Book were identified. The unknown difference as of December 31, 2015, was \$3,517 cash short.

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 County Treasurers, Chapter 1)

COUNTY TREASURER
GREENE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 14, 2017, with Patricia L. Baker, County Auditor; Edward L. Michael, President of the Board of County Commissioners; Jerry R. Frye, President of the County Council; Kelly Zimmerly, former County Treasurer; and Nichole L. Stahl, County Treasurer.

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CLERK OF THE CIRCUIT COURT
GREENE COUNTY

CLERK OF THE CIRCUIT COURT
GREENE COUNTY
AUDIT RESULT AND COMMENT

CONDITION OF RECORDS

As noted in the two previous audit Reports, B46610 and B47757, financial records presented for audit for the Clerk of the Circuit Court's funds were incomplete and not reflective of the activity of the Clerk of the Circuit Court's funds. The records presented included a print out from an old MHI account with a detail of accounts payable (trust items) that did not agree to the amount being used as the cash fund balance. This is an old account that cannot be converted to the new Odyssey financial accounting system. It contains many unidentified posting errors made over a long period of time.

The MHI account records included an outstanding check list, but it was not being used as part of the reconciliation of the account. As of December 31, 2015, the detail to the control ledger was \$30,440 short. The cash reconciliation using the outstanding check list for the MHI account was \$7,424 short.

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
GREENE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 14, 2017, with Patricia L. Baker, County Auditor; Edward L. Michael, President of the Board of County Commissioners; Jerry R. Frye, President of the County Council; Kelly Zimmerly, former County Treasurer; and Nichole L. Stahl, County Treasurer. The contents of this report were discussed on March 16, 2017, with Susan Fowler, Clerk of the Circuit Court.