

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MARSHALL COUNTY, INDIANA

January 1, 2015 to December 31, 2015



**FILED**  
06/06/2017



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### SCHEDULE OF OFFICIALS

| <u>Office</u>                                     | <u>Official</u>   | <u>Term</u>  |
|---|---|--|
| County Auditor                                    | Julie A. Fox  | 01-01-15 to 12-31-18   |
| County Treasurer                                  | Penny A. Lukenbill<br>Angela C. Birchmeier                      | 01-01-15 to 12-31-16<br>01-01-17 to 12-31-20                         |
| County Sheriff                                    | Thomas G. Chamberlin<br>William Cleavenger<br>Matthew K. Hassel | 01-01-15 to 08-28-15<br>08-29-15 to 09-30-15<br>10-01-15 to 12-31-18 |
| Clerk of the Circuit Court                        | Deborah P. VanDeMark  | 01-01-15 to 12-31-18   |
| County Recorder                                   | Marlene K. Mahler   | 01-01-15 to 12-31-18   |
| President of the Board of<br>County Commissioners | Kevin G. Overmyer   | 01-01-15 to 12-31-17   |
| President of the<br>County Council                | Matthew K. Hassel<br>Don Morrison<br>Judith Stone               | 01-01-15 to 09-30-15<br>10-01-15 to 12-31-15<br>01-01-16 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 MARSHALL COUNTY, INDIANA

This report is supplemental to our audit report of Marshall 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/](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 Result and Comment 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 Result and Comment contained herein describes the identified reportable instance 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 for the Audit Result and Comment, incorporated within this report, were not verified for accuracy.

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

April 10, 2017

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COUNTY AUDITOR  
MARSHALL COUNTY

COUNTY AUDITOR  
MARSHALL COUNTY  
FEDERAL FINDING

**FINDING 2015-001 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*Condition*

The County had not established effective internal controls over the financial information entered into the Indiana Gateway for Government Units financial reporting system (Gateway), which is the source of the Annual Financial Report (AFR), the financial statement, and the Schedule of Federal Expenditures (SEFA). Due to the lack of controls over the input of financial information entered into Gateway, the following material errors occurred on the SEFA:

1. Highway Planning and Construction expenditures were understated \$65,040.
2. Formula Grants for Rural Areas expenditures were overstated \$60,012.
3. Amount of Federal Awards Pass-Through to Subrecipients was understated \$243,533.
4. Not all CFDA Numbers, Program Names, Federal Award Agencies, Pass-Through Entities, or Pass-Through identifying numbers were correct or listed.
5. Not all Clusters were properly identified.

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; . . .

- Accurate and timely recording of transactions. . . ."

COUNTY AUDITOR  
MARSHALL COUNTY  
FEDERAL FINDING  
(Continued)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

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 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."

COUNTY AUDITOR  
MARSHALL COUNTY  
FEDERAL FINDING  
(Continued)

*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.



**Julie A. Fox**  
**Marshall County Auditor**  
**112 W. Jefferson St., Room 205**  
**Plymouth, IN 46563**

Phone: 574-935-8555

Email: [julief@co.marshall.in.us](mailto:julief@co.marshall.in.us)

Fax: 574-935-4863

### **CORRECTIVE ACTION PLAN**

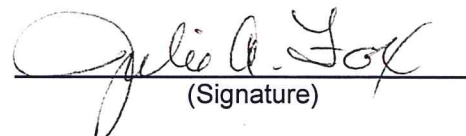
#### ***FINDING 2015-001***

Contact Person Responsible for Corrective Action: Julie A. Fox  
Contact Phone Number: (574) 935-8555

We concur with the findings.

**Description of Corrective Action Plan:** In reviewing our current SEFA process and internal controls, it has been made clear that due to lack of internal reporting requirements, misstatements of the SEFA went undetected. We are reviewing our current internal control process. Revision will include additional reporting requirements by the initiating office/department and segregation of duties to ensure that any misstatements in the SEFA are detected.

**Anticipated Completion Date:** December 31, 2017.

  
\_\_\_\_\_  
(Signature)

Marshall County Auditor

\_\_\_\_\_  
(Title)

March 27, 2017

\_\_\_\_\_  
(Date)

COUNTY AUDITOR  
MARSHALL COUNTY  
AUDIT RESULT AND COMMENT

**COUNTY SETTLEMENT**

The County Auditor did not disburse all monies receipted into the Sewage Collections fund to the respective sewage utilities at settlement. At December 31, 2015, the Sewage Collections fund cash and investments balance was \$2,277. In addition, the County Auditor did not close the Homestead Credit Rebate fund in 2011 or remit any returned or uncashed homestead rebate checks to the Attorney General as abandoned property. At December 31, 2015, the Homestead Credit Rebate fund cash and investment balance was \$22,680.

A similar comment was in the prior Report B45889.

Indiana Code 36-9-23-33(k) states:

"At the time of each semiannual tax settlement, the county treasurer shall certify to the county auditor all fees, charges, and penalties that have been collected. The county auditor shall deduct the service charges and certification fees collected by the county treasurer and pay over to the officer the remaining fees and penalties due the municipality. The county treasurer shall retain the service charges and certification fees that have been collected, and shall deposit them in the county general fund."

Indiana Code 32-34-1-20(c) states in part:

"Property that is held, issued, or owed in the ordinary course of a holder's business is presumed abandoned if the owner or apparent owner has not communicated in writing with the holder concerning the property or has not otherwise given an indication of interest in the property during the following times: . . .

- (7) For property held by a state or other government, governmental subdivision or agency, or public corporation or other public authority, one (1) year after the property becomes distributable. . . ."



**Julie A. Fox**  
**Marshall County Auditor**  
**112 W. Jefferson St., Room 205**  
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Fax: 574-935-4863

April 18, 2017

Ms. Lisa David  
State Board of Accounts  
302 West Washington Street  
Room E 418  
Indianapolis, Indiana 46204-2765

Via Electronic Mail: [ldavid@sboa.in.gov](mailto:ldavid@sboa.in.gov)

Dear Ms. David,

In response to the State Board of Accounts comments in the Supplemental Compliance Report, please find this as the "Official Response" to the 2015 Marshall County Federal Audit regarding county settlement.

**OFFICIAL RESPONSE**

**Description of Corrected Action Plan:**

An inquiry made by the Marshall County Auditor's Office during the 2014 audit performed in November, 2015, led to the finding that the Settlement accounts established in October, 2014 to align with State Board of Accounts new chart of accounts were not properly established according to the County Bulletin, effective January 1, 2012, nor were the funds fully disbursed.

**County Settlement Funds:** Settlement accounts that were created in October, 2014 did not follow the State Board of Accounts chart of accounts for the 6000 series. The correctly numbered funds were properly established prior to the June, 2016 settlement.

**County Settlement Funds (Sewage Collection fund 6042):** The balance of this fund was fully disbursed January 25, 2016.

**County Settlement Funds (Homestead Credit Rebate Fund 6104):** Following research of the remaining balance in the Homestead Credit Rebate Fund, it was discovered to be interest income totaling \$22,985.40. In April 2017, the Marshall County Council approved Ordinance 2017-09 declaring Homestead Credit Rebate Fund 6014 to be a dormant fund and allowing the fund balance to be transferred to the General fund. The funds were transferred on April 10, 2017.

Sincerely,

Julie A. Fox, Auditor  
Marshall County

COUNTY AUDITOR  
MARSHALL COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on April 10, 2017, with Julie A. Fox, County Auditor; Kevin G. Overmyer, President of the Board of County Commissioners; and Judith Stone, President of the County Council.

COUNTY SHERIFF  
MARSHALL COUNTY

COUNTY SHERIFF  
MARSHALL COUNTY  
FEDERAL FINDING

**FINDING 2015-002 - FINANCIAL TRANSACTIONS AND REPORTING - SHERIFF'S INMATE TRUST**

*Condition*

There were deficiencies in the internal control system of the County related to financial transactions and reporting of the Sheriff's Inmate Trust Account fund. The County Sheriff had not separated incompatible activities related to cash and investments, receipts, and disbursements of the Sheriff's Inmate Trust Account fund. Deposits were processed by the same employee who wrote checks and prepared the bank reconciliation. There was no segregation of duties, such as an oversight, review, or approval process.

*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:

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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 Sheriff's Department had not established a proper system of internal control during the audit period.

*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 SHERIFF  
MARSHALL COUNTY  
CORRECTIVE ACTION PLAN

COUNTY SHERIFF  
MARSHALL COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on April 10, 2017, with Matthew K. Hassel, County Sheriff; Kevin G. Overmyer, President of the Board of County Commissioners; and Judith Stone, President of the County Council.

CLERK OF THE CIRCUIT COURT  
MARSHALL COUNTY

CLERK OF THE CIRCUIT COURT  
MARSHALL COUNTY  
FEDERAL FINDING

**FINDING 2015-003 - FINANCIAL TRANSACTIONS AND REPORTING - CLERK'S TRUST**

*Condition*

There were deficiencies in the internal control system of the County related to financial transactions and reporting of the Clerk of the Circuit Court (Clerk). The Clerk had not separated incompatible activities related to cash and investments. Daily deposits of the Clerk receipts were prepared by the same employee who performed the monthly bank reconciliations. There was no segregation of duties, such as an oversight, review, or approval process.

*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 Clerk's office had not established a proper system of internal control during the audit period.

*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.



# *Marshall Circuit and Superior Courts*

*Deborah VanDeMark, Clerk*

211 West Madison Street, Plymouth, IN 46563

Telephone: 574-936-8922

Fax: 574-936-8893

## CORRECTIVE ACTION PLAN

### **FINDING 2015-003**

Contact Person Responsible for Corrective Action: **Deborah P. VanDeMark**

Contact Phone Number: **(574) 935-8701**

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Clerk's Office began segregation of duties between the person preparing the daily deposits and the person performing the monthly bank reconciliation beginning January 2016.

Anticipated Completion Date:

January 2016

*Deborah VanDeMark*  
(Signature)

*Clerk*  
(Title)

3/16/17  
(Date)

CLERK OF THE CIRCUIT COURT  
MARSHALL COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on April 10, 2017, with Deborah P. VanDeMark, Clerk of the Circuit Court; Kevin G. Overmyer, President of the Board of County Commissioners; and Judith Stone, President of the County Council.