

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

JAY COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
06/09/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Nancy J. Culy	01-01-11 to 12-31-14
	Anna Culy	01-01-15 to 12-31-18
County Treasurer	Robin Alberson	01-01-13 to 12-31-16
	Paula Miller	01-01-17 to 12-31-20
Clerk of the Circuit Court	Ellen Coats	01-01-13 to 12-31-16
	Jon Eads	01-01-17 to 12-31-20
County Sheriff	Larry R. Newton, Jr.	01-01-11 to 12-31-14
	Dwane Ford	01-01-15 to 12-31-18
County Recorder	Beverly D. Myers	01-01-11 to 12-31-14
	Betty St. Myers	01-01-15 to 12-31-18
President of the Board of County Commissioners	Milo M. Miller, Jr.	01-01-14 to 12-31-14
	Faron Parr	01-01-15 to 12-31-16
	Douglas L. Inman	01-01-17 to 12-31-17
President of the County Council	Michael Leonhard	01-01-14 to 12-31-16
	Jeanne Houchins	01-01-17 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDIANAPOLIS, INDIANA 46204-2769

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TO: THE OFFICIALS OF JAY COUNTY, INDIANA

This report is supplemental to our audit report of Jay 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 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.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

April 25, 2017

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COUNTY AUDITOR
JAY COUNTY

COUNTY AUDITOR
JAY COUNTY
FEDERAL FINDINGS

FINDING 2014-001 - 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). One person was solely responsible for preparing and submitting the SEFA without oversight, review, or approval.

During the audit of the SEFA, there were the following errors:

1. The Formula Grants for Rural Areas was overstated by \$106,864.
2. The Child Support Enforcement grant was understated by \$14,254.

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. . . ."

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."

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:

COUNTY AUDITOR
JAY COUNTY
FEDERAL FINDINGS
(Continued)

- (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 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 2014-002 - FINANCIAL TRANSACTIONS AND REPORTING

Condition

There were deficiencies in the internal control system of the County related to financial transactions and reporting. The County had not separated incompatible activities related to financial transactions and reporting. The County Auditor entered the financial information into the Indiana Gateway for Government Units financial reporting system (Gateway), which is the source of the Annual Financial Report (AFR) and the financial statement. The County did not have effective controls to verify the accuracy of the financial information entered prior to submission.

COUNTY AUDITOR
JAY COUNTY
FEDERAL FINDINGS
(Continued)

Financial transactions for six funds were omitted from the AFR and the financial statement. As a result, total receipts were understated by \$2,214,742, total disbursements were understated by \$2,188,074, and the ending balance was understated by \$725,657. Audit adjustments were proposed, accepted by the County, and made to the AFR and the 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. . . ."

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."

Cause

Management of the County had not established a proper system of internal control.

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.

Jay County Auditor's Office
120 N Court St, Suite 202
Portland, IN 47371
(260) 726-7575

April 25, 2017

CORRECTIVE ACTION PLAN

Finding 2014-001

Contact Person Responsible for Corrective Action: Anna Culy, Auditor
Contact Phone Number: 260-726-6937

Views of Responsible Official:

As county auditor, it is important to have sufficient preparation of the schedule of expenditures of federal awards.

Description of Corrective Action Plan:

In regards to future preparation of the schedule of expenditures of federal awards, Jay County will ensure that all appropriate personnel will oversee the schedule of expenditures for all grants and other federal monies that are receipted and/or disbursed as to be in compliance with the Indiana State Board of Accounts requirements.

Anticipated Completion Date:

Corrective action has already been put in place and will continue to be implemented in the future for all awards.

Anna Culy

Signature

AUDITOR

Title

4-25-2017

Date

Jay County Auditor's Office
120 N Court St, Suite 202
Portland, IN 47371
(260) 726-7575

April 25, 2017

CORRECTIVE ACTION PLAN

Finding 2014-002

Contact Person Responsible for Corrective Action: Anna Culy, Auditor

Contact Phone Number: 260-726-6937

Views of Responsible Official:

As county auditor, it is important to have sufficient preparation of the County Annual Financial Report.

Description of Corrective Action Plan:

In regards to future preparation of the County Annual Financial Report, Jay County will ensure that all appropriate personnel will oversee the correct preparation and uploading of the County Annual Financial Report to the Department of Local Government Finance website known as the Gateway. The county will ensure that in addition to the financial information accounted for in the county financial software, supplemental reports will be placed on the DLGF site as well.

Anticipated Completion Date:

The corrective action plan has already been implemented and subsequent years reported on the DLGF Gateway site have the supplemental information on the website. From this point forward, the County will continue to report said information until such a time as it is no longer necessary.

Anna Culy

Signature

Auditor

Title

4-25-2017

Date

COUNTY AUDITOR
JAY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 25, 2017, with Anna Culy, County Auditor; Douglas L. Inman, President of the Board of County Commissioners; and Jeanne Houchins, President of the County Council.