

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

JOHNSON COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
06/16/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Janice D. Richhart	01-01-11 to 12-31-14
	Pamela J. Burton	01-01-15 to 12-31-18
County Treasurer	Diane L. Edwards	01-01-13 to 12-31-16
	Michele Ann Graves	01-01-17 to 12-31-20
Clerk of the Circuit Court	Sue Anne Misiniec	01-01-11 to 12-31-18
County Sheriff	Douglas F. Cox	01-01-11 to 12-31-18
County Recorder	Jill Jackson	01-01-11 to 12-31-18
President of the Board of County Commissioners	Brian Baird	01-01-14 to 12-31-17
President of the County Council	Beth Boyce	01-01-14 to 12-31-14
	Pete Ketchum	01-01-15 to 12-31-15
	Brian Walker	01-01-16 to 12-31-16
	Beth Boyce	01-01-17 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
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TO: THE OFFICIALS OF JOHNSON COUNTY, INDIANA

This report is supplemental to our audit report of Johnson 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, incorporated within this report, was not verified for accuracy.

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

April 6, 2017

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COUNTY AUDITOR
JOHNSON COUNTY

COUNTY AUDITOR
JOHNSON COUNTY
FEDERAL FINDINGS

FINDING 2014-001 - 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 SEFA contained the following errors:

One program was omitted and five programs were reported with errors. In total, the SEFA was overstated by \$361,681. 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. This includes 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:

- (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.

COUNTY AUDITOR
JOHNSON COUNTY
FEDERAL FINDINGS
(Continued)

- (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, 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 - INTERNAL CONTROLS OVER FINANCIAL
TRANSACTIONS - COUNTY AUDITOR**

Condition

There were deficiencies in the internal control system of the County Auditor related to financial transactions as follows:

The County Auditor had not separated incompatible activities, including segregation of duties, related to the employee health benefit account.

The County Auditor had a fund for employee health benefits which was accounted for separately from the County Auditor's financial software. An excel spreadsheet was used to account for this fund. No receipts were issued. The disbursements were based on invoices from the County's third party administrator. The County Auditor received a notice for the amount due to vendors and then the funds were electronically withdrawn from the bank accounts by the third party administrator. The disbursements were not submitted to the Board of County Commissioners for approval, nor was there evidence that the County Auditor, as the County's Fiscal Officer, had approved the disbursements.

COUNTY AUDITOR
JOHNSON COUNTY
FEDERAL FINDINGS
(Continued)

The bank reconcilements also were the responsibility of the County Auditor.

Information and copies of various reports were provided to various County staff; however, there were no established documented controls, such as an oversight, review, or approval process by the County Auditor's office to ensure that the funds ledger and bank reconcilements were being completed and were accurate.

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. This includes 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

The County Auditor had not established a system of internal controls to ensure that the financial activity relating to employee health benefit accounts was reported properly. Additionally, there were no controls in place to ensure that the bank reconcilements were complete and accurate.

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.

FINDING 2014-006 - INTERNAL CONTROL OVER CHILD SUPPORT ENFORCEMENT

Federal Agency: Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Year (or Other Identifying Number): 1504INCES
Pass-Through Entity: Indiana Department of Child Services

COUNTY AUDITOR
JOHNSON COUNTY
FEDERAL FINDINGS
(Continued)

Condition

The County had not established an effective internal control system over requirements relating to Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Availability of Federal Funds, and Reporting.

Context

County Auditor:

Allowable Costs/Cost Principles:

A consultant prepared the Cost Allocation Plan for indirect costs charged to the program for the County. The County had not designed or implemented policies and procedures to ensure that the Cost Allocation Plan was properly prepared and included accurate information.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Availability of Federal Funds, and Reporting:

County Prosecutor:

The office staff prepared the Monthly Expense claims. There was no evidence that the claims were reviewed to ensure that all reported expenditures were for allowable activities and costs, paid prior to requesting reimbursement, incurred within the period of availability, and whether the amounts reported were accurate.

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 internal controls could have 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.

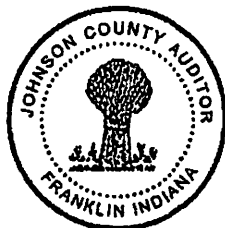
Recommendation

We recommended that the County's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

COUNTY AUDITOR
JOHNSON 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.



Pamela J. Burton
JOHNSON COUNTY AUDITOR

86 West Court Street • Courthouse West Annex • Franklin, Indiana 46131
Office (317) 346-4310 • Direct (317) 346-4312 • Fax (317) 736-7021
pburton@co.johnson.in.us

CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for Corrective Action: Pamela J. Burton
Contact Phone Number: 317.346.4312

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Effective immediately, Johnson County will have proper internal controls in place that operate effectively, this will detect possible misstatements of the SEFA. The Auditor understands her role in to ensure proper reporting the Schedule of Expenditures of Federal Awards.

Anticipated Completion Date: 02/28/2017

Pamela J. Burton
(Signature)

Auditor
(Title)

2/28/17
(Date)



Pamela J. Burton
JOHNSON COUNTY AUDITOR

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Office (317) 346-4310 • Direct (317) 346-4312 • Fax (317) 736-7021
pburton@co.johnson.in.us

CORRECTIVE ACTION PLAN

FINDING 2014-002

Contact Person Responsible for Corrective Action: Pamela J. Burton
Contact Phone Number: 317.346.4312

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Effective immediately, Johnson County will have proper internal controls in place to implement segregation of duties, related to the employee health benefit account. The Auditor understands her role with the employee health benefit account and will immediately implement proper internal controls.

Anticipated Completion Date: 02/28/2017



(Signature)

Auditor

(Title)

2/28/17

(Date)



Pamela J. Burton
JOHNSON COUNTY AUDITOR

86 West Court Street • Courthouse West Annex • Franklin, Indiana 46131
Office (317) 346-4310 • Direct (317) 346-4312 • Fax (317) 736-7021
pburton@co.johnson.in.us

CORRECTIVE ACTION PLAN


FINDING 2014-006

Contact Person Responsible for Corrective Action: Pamela J. Burton
Contact Phone Number: 317.346.4312

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Effective immediately, Johnson County will have proper internal controls in place to implement segregation of duties, related to the grant agreement and compliance requirements found in OMB Circular A-133, Subpart C, section .300. The Auditor understands her role with internal control over child support enforcement and immediate corrective action will be taken.

Anticipated Completion Date: 02/28/2017



(Signature)

Auditor

(Title)

2/28/17

(Date)

COUNTY AUDITOR
JOHNSON COUNTY
AUDIT RESULTS AND COMMENTS

CAPITAL ASSETS

The County did not properly maintain a complete detailed listing of all capital assets. Capital asset records that were accounted for on a prior computer system had not been retained to support the beginning balances of the current asset records. There was no evidence of a physical inventory within the last two years.

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

PENALTIES, INTEREST, AND OTHER CHARGES

The County did not remit their 2013 E911 equipment annual lease payment due November 1, 2013, on a timely basis. As a result, a late fee of \$1,064 was assessed and paid in 2014.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

OVERDRAWN CASH BALANCES

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

Fund	Amount Overdrawn
Johnson Co Employee Benefit Plan (Anthem) Supp AFR	\$ 36,716
16.588 STOP GRANT	26,078
16.575 Victim Assist	23,780
93.074 CRI All Hazard	7,673

Funds with overdrawn cash balances as a result of grant expenditures that received timely reimbursements were not included in the above list.

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 in which 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)

COUNTY AUDITOR
JOHNSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 5, 2017, with Janice D. Richhart, former County Auditor.

The contents of this report were discussed on April 6, 2017, with Pamela J. Burton, County Auditor; Amy Thompson, First Deputy County Auditor; Brian Baird, President of the Board of County Commissioners; Beth Boyce, President of the County Council; Barbara Davis, County Coordinator; and Kathleen Hash, County Attorney.

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COUNTY TREASURER
JOHNSON COUNTY

COUNTY TREASURER
JOHNSON COUNTY
FEDERAL FINDING

***FINDING 2014-003 - INTERNAL CONTROLS OVER FINANCIAL
TRANSACTIONS - COUNTY TREASURER***

Condition

There were deficiencies in the internal control system of the County Treasurer related to financial transactions as follows:

The County Treasurer had not separated incompatible activities, including segregation of duties, related to receipting and accounting for the financial activities of the County Treasurer's office. One individual performed the final balance of the cash drawers each day, counted the money, generated the deposits, took the deposits to the bank, and posted the transaction. This individual also received and recorded some property tax and other collections, made adjustments within the property tax software, and was responsible for the County Treasurer's property tax settlement procedures.

The bookkeeper was responsible for performing the monthly bank reconciliements without any review or oversight by someone else.

The County Treasurer did not have internal controls over electronic transactions being credited into the County bank accounts.

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. This includes control activities. According to this manual:

COUNTY TREASURER
JOHNSON 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

The County Treasurer had not established a system of internal controls to ensure that the financial activity relating to cash and receipts was reported properly.

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.

Johnson County Treasurer



Michele Ann Graves
86 W. Court St.
Franklin, IN 46131

Phone: (317) 346-4330
Fax: (317) 736-3949
Email: mgraves@co.johnson.in.us
Website: www.co.johnson.in.us

CORRECTIVE ACTION PLAN

FINDING 2014-003

Contact Person Responsible for Corrective Action: Michele Ann Graves
Contact Phone Number: (317)346-4340

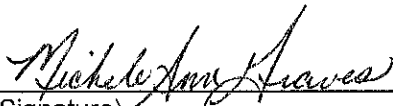
Views of Responsible Official: I concur with the finding.

Description of Corrective Action Plan:

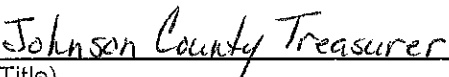
The Johnson County Treasurer will establish and maintain an internal control system which will include segregation of duties and additional oversight.

- Schedule to be made for each staff member to perform the duties for daily balance.
- Implement a process to track and review adjustments, i.e. voided payments.
- Bank Reconciliation Reports to be reviewed by two (2) members of Treasurer's Office.
- Individual will give to Bookkeeper copy of ACH Notifications with daily work. Bookkeeper will balance to cash book.

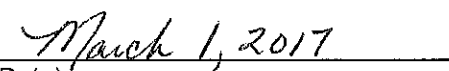
Anticipated Completion Date: April 1, 2017



(Signature)



(Title)



(Date)

COUNTY TREASURER
JOHNSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 4, 2017, with Michele Ann Graves, County Treasurer.

The contents of this report were discussed on April 6, 2017, with Pamela J. Burton, County Auditor; Amy Thompson, First Deputy County Auditor; Brian Baird, President of the Board of County Commissioners; Beth Boyce, President of the County Council; Barbara Davis, County Coordinator; and Kathleen Hash, County Attorney.

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CLERK OF THE CIRCUIT COURT
JOHNSON COUNTY

CLERK OF THE CIRCUIT COURT
JOHNSON COUNTY
FEDERAL FINDING

**FINDING 2014-004 - INTERNAL CONTROLS OVER FINANCIAL
TRANSACTIONS - CLERK OF THE CIRCUIT COURT**

Condition

There were deficiencies in the internal control system related to financial transactions of the Clerk of the Circuit Court (Clerk) as follows:

The Clerk had not separated incompatible activities, including segregation of duties, related to cash and investments, receipts, and disbursements. The bank account reconciliations were prepared by the bookkeeper. The bookkeeper also issued checks that have the Clerk's signature electronically included and then mailed the checks.

There was no evidence that the work was reviewed by someone other than the Bookkeeper.

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. This includes 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

The Clerk had not established a system of internal controls to ensure that the financial activity related to cash and investments, receipts, and disbursements was reported properly.

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.



Sue Anne Misiniec

CLERK
JOHNSON CIRCUIT AND SUPERIOR COURTS

COURT HOUSE P.O. BOX 368 FRANKLIN, IN 46131

CLERK
(317) 346-4450
(317) 736-3749 FAX

VOTER REGISTRATION
(317) 346-4466

CORRECTIVE ACTION PLAN

FINDINGS 2014-004

Contact Person Responsible for Corrective Action: Sue Anne Misiniec, Clerk
Contact Phone Number: (317) 346-4450

Description of Corrective Action Plan:

1. To correct deficiencies in the internal control system of the Clerk's Office. Segregate duties and activities of the Clerk's staff as they relate to cash and investments, receipts and disbursements.

Anticipated Completion Date: Thursday, June 1, 2017

Sue Anne Misiniec
(Signature)

Clerk of the Courts
(Title)

February 17, 2017
(Date)

CLERK OF THE CIRCUIT COURT
JOHNSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 5, 2017, with Sue Anne Misiniec, Clerk of the Circuit Court; Trena McLaughlin, Chief Deputy Clerk; and Carol J. White, Deputy Clerk, Bookkeeper.

The contents of this report were discussed on April 6, 2017, with Pamela J. Burton, County Auditor; Amy Thompson, First Deputy County Auditor; Brian Baird, President of the Board of County Commissioners; Beth Boyce, President of the County Council; Barbara Davis, County Coordinator; and Kathleen Hash, County Attorney.

COUNTY SHERIFF
JOHNSON COUNTY

COUNTY SHERIFF
JOHNSON COUNTY
FEDERAL FINDING

**FINDING 2014-005 - INTERNAL CONTROLS OVER FINANCIAL
TRANSACTIONS - COUNTY SHERIFF**

Condition

There were deficiencies in the internal control system related to financial transactions of the County Sheriff as follows:

Internal controls over the disbursing, recording, and accounting for the financial activities were insufficient. The County Sheriff had not separated incompatible activities, including segregation of duties, related to financial transactions.

The bookkeeper wrote and posted the checks as well as prepared the bank reconciliation. Disbursements related to the County Sheriff's sales were based on e-mails from the County Sheriff's employee who was responsible for the Sheriff's sales. The County Sheriff's bookkeeper posted disbursements dated the subsequent month to their current month's Cash Book.

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. This includes 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 had not established a system of internal control to ensure the financial activity of the County Sheriff was reported properly.

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.



JOHNSON COUNTY SHERIFF'S OFFICE

1091 Hospital Road - Post Office Box 609 - Franklin, Indiana 46131

Doug Cox, Sheriff

Randy Werden, Colonel

February 22, 2017

Corrective Action Plan 2014-005

Sheriff Doug Cox

Johnson County Sheriff's Office

1091 Hospital Road

Franklin, Indiana 46131

(317) 346-4601

The Johnson County Sheriff's Office is in receipt of the audit conducted by the State Board of Accounts.

We intend to improve on our bookkeeping by making the following changes in internal controls:

- a. We met as a group on February 21st 2017. Anyone who handles money for the Johnson County Sheriff's Office was present. We discussed the above issues and assigned each employee with an overseer. Those employees will monitor the records of their co-worker and will sign off on a new document that we are creating for the overseers.
- b. We will communicate with our software vendor to see if changes can be made to correct the dates, in which the disbursements are posted.
- c. We are looking into more secure methods of securing cash handled by each of our employees. We are looking at work area drop boxes instead of our current way of doing business.
- d. The Bookkeeper and Sheriff Sale Clerk will be creating a working document between each other that will meet the standards of the State Board of Accounts.

Respectfully,

A handwritten signature in black ink, appearing to read "Doug Cox", written over a horizontal line.

Sheriff Doug Cox

Johnson County

COUNTY SHERIFF
JOHNSON COUNTY
AUDIT RESULTS AND COMMENTS

COUNTY SHERIFF - CASH BONDS

The County Sheriff collected cash bonds, but did not remit the cash bonds to the Clerk of the Circuit Court by the following business day. The cash bonds were held until the County Sheriff's staff was notified of charges filed in either a city or county court or for up to two years prior to paying out the cash bonds to the original remitter.

Indiana Code 35-33-8-3.2(e) states:

"With the approval of the clerk of the court, the county sheriff may collect the bail posted under this section. The county sheriff shall remit the bail to the clerk of the court by the following business day and remit monthly the five dollar (\$5) special death benefit fee to the county auditor."

INTERNAL CONTROLS AND COMPLIANCE OVER FINANCIAL RECORDS AND BANK RECONCILIATIONS

Internal controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient:

There were no bank reconciliations prepared for the Commissary fund; however, two County Sheriff's department staff did review and initial the account activity summary.

The Inmate Trust fund balance was not reconciled with the bank.

The Inmate Trust, Property Room, Special Fund, and Sheriff's Reserves funds did not have evidence that someone was monitoring the performance and accuracy of bank reconciliations and financial records maintained for these funds.

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. This includes 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 5-13-6-1(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."

COUNTY SHERIFF
JOHNSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 3, 2017, with Douglas F. Cox, County Sheriff; Vicki L. Reese, Administrative Assistant; and Ronda J. Frazier, Bookkeeper.

The contents of this report were discussed on April 6, 2017, with Pamela J. Burton, County Auditor; Amy Thompson, First Deputy County Auditor; Brian Baird, President of the Board of County Commissioners; Beth Boyce, President of the County Council; Barbara Davis, County Coordinator; and Kathleen Hash, County Attorney.

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BOARD OF COUNTY COMMISSIONERS
JOHNSON COUNTY

BOARD OF COUNTY COMMISSIONERS
JOHNSON COUNTY
AUDIT RESULT AND COMMENT

CAPITAL ASSETS

The County had not properly maintained a complete detailed listing of all capital assets. Capital asset records that were accounted for on a prior computer system had not been retained to support the beginning balances of the current asset records. There was no evidence of a physical inventory within the last two years.

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

BOARD OF COUNTY COMMISSIONERS
JOHNSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 6, 2017, with Pamela J. Burton, County Auditor; Amy Thompson, First Deputy County Auditor; Brian Baird, President of the Board of County Commissioners; Beth Boyce, President of the County Council; Barbara Davis, County Coordinator; and Kathleen Hash, County Attorney.

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COUNTY PROSECUTING ATTORNEY
JOHNSON COUNTY

COUNTY PROSECUTING ATTORNEY
JOHNSON COUNTY
FEDERAL FINDING

FINDING 2014-006 - INTERNAL CONTROL OVER CHILD SUPPORT ENFORCEMENT

Federal Agency: Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Year (or Other Identifying Number): 1504INCES
Pass-Through Entity: Indiana Department of Child Services

Condition

The County had not established an effective internal control system over requirements relating to Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Availability of Federal Funds, and Reporting.

Context

County Auditor:

Allowable Costs/Cost Principles:

A consultant prepared the Cost Allocation Plan for indirect costs charged to the program for the County. The County had not designed or implemented policies and procedures to ensure that the Cost Allocation Plan was properly prepared and included accurate information.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Availability of Federal Funds, and Reporting:

County Prosecutor:

The office staff prepared the Monthly Expense claims. There was no evidence that the claims were reviewed to ensure that all reported expenditures were for allowable activities and costs, paid prior to requesting reimbursement, incurred within the period of availability, and whether the amounts reported were accurate.

COUNTY PROSECUTING ATTORNEY
JOHNSON 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 internal controls could have 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 compliance requirements listed above.

Views of Responsible Officials

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

**OFFICE OF THE
PROSECUTING
ATTORNEY**



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**Ryan Bland
Sex Crimes Deputy**

**L. Alexander Hamner
Juvenile Deputy**

**Lori M. Prince
Child Support**

**Shaina Carmichael
Domestic Violence Deputy**

**Mat Taylor
City Court Deputy**

February 14, 2017

FINDING 2014-006

Responsible Party: Johnson County Prosecutor's Office

Office Coordinator: Ami Davis – 317-346-4537

Deputy Prosecutor: Lori Prince – 317-346-4581

CORRECTIVE ACTION PLAN

Starting January 1 2017, the Office Coordinator will review all allowable costs and cost principles, cash management, period of availability and reporting ability. The Child Support Supervising Deputy Prosecuting Attorney will also review allowable costs and cost principles, cash management, period of availability and reporting ability to supply an additional internal control.

Anticipated Completion Date: 03/01/2017

Ami Davis – Office Coordinator

Lori Prince – Deputy Prosecutor

2-16-2017

Date

COUNTY PROSECUTING ATTORNEY
JOHNSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 6, 2017, with Lori Prince, Deputy County Prosecuting Attorney.

The contents of this report were discussed on April 6, 2017, with Pamela J. Burton, County Auditor; Amy Thompson, First Deputy County Auditor; Brian Baird, President of the Board of County Commissioners; Beth Boyce, President of the County Council; Barbara Davis, County Coordinator; and Kathleen Hash, County Attorney.