

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CLINTON COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
07/13/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Cathy J. Hamilton	01-01-11 to 12-31-18
County Treasurer	Ronald J. Niemesh Carol J. Bartley	01-01-13 to 10-18-14 10-19-14 to 12-31-20
Clerk of the Circuit Court	Sherri Crews	01-01-13 to 12-31-20
County Sheriff	Jeff Ward	01-01-11 to 12-31-18
County Recorder	Linda Brammel	01-01-14 to 12-31-17
President of the Board of County Commissioners	Bert Weaver Cory Boyles Scott Shoemaker	01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-17
President of the County Council	Alan Dunn	01-01-14 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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TO: THE OFFICIALS OF CLINTON COUNTY, INDIANA

This report is supplemental to our audit report of Clinton 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

May 18, 2017

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COUNTY AUDITOR
CLINTON COUNTY

COUNTY AUDITOR
CLINTON COUNTY
FEDERAL FINDINGS

FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING

Condition

The County had deficiencies in their internal control system in the following areas:

1. Cash and Investments: The County had not separated incompatible activities related to cash and investments. The County Treasurer prepared the monthly bank reconcilements. There was no control in place, such as an oversight, review, or approval process, to ensure the accuracy of the monthly reconcilements. In addition, the monthly reconcilements were not always being completed in a timely manner.
2. Financial Close and Reporting: The County Auditor processed the financial close and reporting of the County's financial information by submitting the financial information into the Indiana Gateway for Government Units, which is a financial reporting system and the source of the financial statement and the Annual Financial Report (AFR). There was no control in place, such as an oversight, review, or approval process, to ensure the accuracy of the financial information prior to the submission.
3. Monitoring of Controls: The County had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the County to monitor and assess the quality of their system of internal control.

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. . . ."

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

COUNTY AUDITOR
CLINTON COUNTY
FEDERAL FINDINGS
(Continued)

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

Management remediates identified issues. . . ."

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."

Cause

Management of the County had not established a proper system of internal control. An evaluation of the County's system of internal control had not been conducted.

Effect

The failure to establish controls enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the County at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

Views of Responsible Officials

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

FINDING 2014-002 - 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, which is a financial reporting system and the source of the Schedule of Expenditures of Federal Awards (SEFA). Due to the lack of controls, the following material errors occurred on the SEFA:

1. Child Support Enforcement expenditures were understated by \$166,642.
2. Formula Grants for Rural Areas expenditures were overstated by \$83,856.
3. Part of the Highway Planning and Construction Cluster was reported with an incorrect CFDA.
4. Numerous grants were reported with incorrect project titles.
5. One direct grant was reported as a pass-through grant.

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

COUNTY AUDITOR
CLINTON COUNTY
FEDERAL FINDINGS
(Continued)

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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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.
- (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.

COUNTY AUDITOR
CLINTON COUNTY
FEDERAL FINDINGS
(Continued)

- (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.



Clinton County Auditor

Cathy J. Hamilton
225 Courthouse Square
Frankfort, Indiana 46041-1995
765-659-6330
765-659-6391 fax
auditor@clintonco.com

CORRECTIVE ACTION PLAN

FINDING 2014-0001

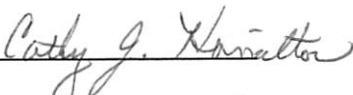
Contact Person Responsible for Corrective Action: Treasurer Carol Bartley and Auditor Cathy Hamilton

Contact Phone Number: T 765-659-6325 A 765-659-6330

1. Carol Bartley was appointed Treasurer as of 10/19/14. Any discrepancies before that time were related to previous Treasurers. After Carol was appointed, the first course of action was to reconcile all past months to current status. This was completed by early 2015. In addition the IC code 5-11-1-27 referring to internal controls was not in place until 2016. The Treasurer's office is in compliance with that code from 2016 going forward.
2. All funds are balanced prior to the end of the year by all accounting personnel in the Auditor's office and funds are balanced with the Treasurer's office. End of the year balance report is also provided to the County Council at their January meeting. We will have accounting personnel and the Auditor sign and date each balance sheet and keep on file for audit as of April 25, 2017.
3. The State internal control policy and required certifications were a requirement in effect after June 30, 2016. An internal control plan over financial reporting is in effect in 2016 as required. This audit is for 2014 financial data.



Carol Bartley, Treasurer



Cathy J. Hamilton, Auditor



Clinton County Auditor

Cathy J. Hamilton
225 Courthouse Square
Frankfort, Indiana 46041-1995
765-659-6330
765-659-6391 fax
auditor@clintonco.com

CORRECTIVE ACTION PLAN

FINDING 2014-0002

Contact Person Responsible for Corrective Action: Auditor Cathy Hamilton
Contact Phone Number: 765-659-6330

The Schedule of Federal Expenditures will be reviewed by the Deputy Auditor and the Auditor for correctness.

Anticipated Completion Date – January 2018 for the 2017 annual report.

A handwritten signature in cursive script that reads "Cathy J. Hamilton". The signature is written in black ink and is positioned above a horizontal line.

Cathy J. Hamilton, Auditor

COUNTY AUDITOR
CLINTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 18, 2017, with Scott Shoemaker, President of the Board of County Commissioners; Jacob Myers, County Council member; and Cathy J. Hamilton, County Auditor.

COUNTY TREASURER
CLINTON COUNTY

COUNTY TREASURER
CLINTON COUNTY
FEDERAL FINDING

FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING

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COUNTY TREASURER
CLINTON COUNTY
FEDERAL FINDING
(Continued)

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CORRECTIVE ACTION PLAN

FINDING 2014-0001

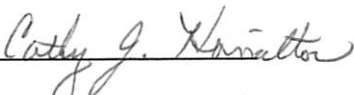
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Carol Bartley, Treasurer



Cathy J. Hamilton, Auditor

COUNTY TREASURER
CLINTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 18, 2017, with Carol J. Bartley, County Treasurer.