

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MADISON COUNTY, INDIANA

January 1, 2015 to December 31, 2015



FILED
07/19/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Jane Lyons Rick G. Gardner	01-01-13 to 12-31-16 01-01-17 to 12-31-20
County Treasurer	Kelly S. Gaskill	01-01-15 to 12-31-18
Clerk of the Circuit Court	Darlene Likens	01-01-15 to 12-31-18
County Sheriff	Scott Mellinger	01-01-15 to 12-31-18
County Recorder	Linda Smith	01-01-15 to 12-31-18
President of the Board of County Commissioners	John M. Richwine	01-01-15 to 12-31-17
President of the County Council	Robin Wagner Clayton Whitson Steve C. Sumner	01-01-15 to 12-31-15 01-01-16 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 MADISON COUNTY, INDIANA

This report is supplemental to our audit report of Madison 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

May 11, 2017

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COUNTY AUDITOR
MADISON COUNTY

COUNTY AUDITOR
MADISON 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 SEFA was understated by a net amount of \$50,455 and had the following errors:

- Three grants were understated by a total of \$277,935.
- Three grants were overstated by a total of \$227,480.

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 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:

COUNTY AUDITOR
MADISON COUNTY
FEDERAL FINDINGS
(Continued)

- (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

Because a proper system of internal control was not in place, material misstatements of the SEFA remained undetected.

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 - ELIGIBILITY

Federal Agency: Department of Labor

Federal Programs: WIA/WIOA Adult Program, WIA/WIOA Youth Activities,
WIA/WIOA Dislocated Worker Formula Grants

CFDA Numbers: 17.258, 17.259, 17.278

Federal Award Number and Year (or Other Identifying Number): PY15-CR-01-IA

Pass-Through Entity: Indiana Department of Workforce Development

COUNTY AUDITOR
MADISON COUNTY
FEDERAL FINDINGS
(Continued)

This is a repeat finding from the immediate prior year. The prior year finding number was 2014-002.

Condition

The County did not have an effective internal control in place to ensure compliance with requirements related to the Eligibility compliance requirement. JobSource, Inc., a department of the County, maintained the applications for program benefits, which were not made available for audit in order to test eligibility of the applicants.

Context

There were multiple attempts made to obtain information needed from JobSource, Inc., related to the applications to determine if the Eligibility compliance requirement was met. There were no controls in place to ensure proper documentation was maintained.

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. . . ."

2 CFR 200.508(d) states: "Provide the auditor with access to personnel, accounts, books, records, supporting documentation, and other information as needed for the auditor to perform the audit required by this part."

Cause

The unavailability of applications for audit was the result of limited access to records at JobSource, Inc.

Effect

As a result of the lack of accessibility to records needed to test compliance and controls, tests could not be performed to ensure that program participants were eligible to receive program benefits.

Question Costs

There were no questioned costs.

Recommendations

We recommended that the County comply with federal regulations and grant access to records needed to test compliance with the Eligibility compliance requirement.

COUNTY AUDITOR
MADISON 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.



MADISON COUNTY AUDITOR'S OFFICE
ANDERSON, INDIANA

Rick Gardner, Auditor

Corrective Action Plan

Finding 2015-001

Contact Person Responsible for Corrective Action: Rick Gardner
Contact Phone Number: 765-641-9419

Views of Responsible Official :
We concur with the finding.

Description of Corrective Action Plan:

Reviews of the Schedule of Expenditures of Federal Awards prepared by our staff will be made for accuracy:

- A. Auditor to require department heads and elected officials to submit completed grant information forms and copies of the signed grant paperwork to the Auditor's office as soon as approved.
- B. Elected officials and department heads are to keep a running spreadsheet of income and expenditures to be submitted to the Auditor monthly.
- C. Auditor's office shall check receipts and disbursements on general ledger on grant funds against elected officials and department heads ledger.
- D. Auditor's office shall perform an annual review of grant funds prior to reporting on SEFA.

Anticipated Completion Date:
6/1/2017

Rick G Gardner

Auditor

5-3-2017



BOARD OF COUNTY COMMISSIONERS
MADISON COUNTY GOVERNMENT CENTER
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John M. Richwine, President
Steffanie L. Owens
W. Michael Phipps
765/641-9474
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May 1, 2017

CORRECTIVE ACTION PLAN

FINDING 2015-002

Contact Person Responsible for Corrective Action: John Richwine, President of the Board of County Commissioners
Contact Phone Number: 765-641-9470

Views of Responsible Official: None

We concur with the finding.

Description of Corrective Action Plan:

We will take the necessary steps to ensure that applications for Workforce Investment Act program benefits are available to future auditors.

Anticipated Completion Date: August 1, 2017



John M. Richwine, President
Madison County Board of Commissioners



COUNTY AUDITOR
MADISON COUNTY
AUDIT RESULT AND COMMENT

RECORD OF HOURS WORKED - WEIGHTS AND MEASURES INSPECTOR

The Weights and Measure's Inspector (Inspector), did not maintain time records for 2015. The Inspector is considered a full-time employee of the County and receives compensated absences and other employee benefits. The Inspector maintains an office offsite and does not maintain regular business hours. The Inspector provided monthly reports to the Board of County Commissioners which detailed the work completed each month, but did not provide an accounting of days or hours worked for the County. The Inspector was paid the same salary every pay period, but was not required to submit any type of time reporting to the Payroll Department prior to payment of his salary. The Inspector also worked as the City of Elwood Judge.

A similar comment appeared in the prior report.

Indiana Code 5-11-9-4(b) states:

"The state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees:

- (1) covered by section 1 or 2 of this chapter; and
- (2) employed by more than one (1) public agency or in more than one (1) position by the same public agency described in section 1 or 2 of this chapter."

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employees' Service Record
General Form 99B, Employee's Earnings Record
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor.

(Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR
MADISON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 2, 2017, with Jane Lyons, former County Auditor.

The contents of this report were discussed on May 11, 2017, with Steffanie L. Owens, Vice President of the Board of County Commissioners; Rick G. Gardner, County Auditor; and Mike Gaskill, County Council member.

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COUNTY SHERIFF
MADISON COUNTY

COUNTY SHERIFF
MADISON COUNTY
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS - INMATE TRUST FUND

Proper monthly reconcilements of the fund balance to the bank account balance for the Inmate Trust fund had not been conducted. Supporting documentation was provided that indicated that receipts and disbursements were verified to the monthly bank statements; however, we were unable to verify the ending balance as of December 31, 2015. Reconciling items, such as outstanding checks, could not be verified to supporting documentation. The accounting software system used was unable to generate a complete list of outstanding checks. In an attempt to create an outstanding check list as of December 31, 2015, the software system could only generate a report with a list of checks issued prior to December 31, 2015, that were still outstanding as of the date the report was generated. Based upon the bank statements and reconciling items presented for audit, there was \$2,886 more in the Inmate Trust fund compared to the amount stated in the financial records and on the Financial Statement.

A similar comment appeared in the prior report.

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."

BANK ACCOUNT RECONCILIATIONS - SHERIFF'S CIVIL CASH BOOK

Proper monthly reconciliations between the County Sheriff's Civil Cash Book to the bank account balances within the County Sheriff's Civil Office were not presented for audit for the last six months of the audit period. A list of checks outstanding as of December 31, 2015, was not provided.

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
MADISON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 2, 2017, with Scott Mellinger, County Sheriff.

The contents of this report were discussed on May 11, 2017, with Steffanie L. Owens, Vice President of the Board of County Commissioners; Rick G. Gardner, County Auditor; and Mike Gaskill, County Council member.

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COUNTY PROSECUTING ATTORNEY
MADISON COUNTY

COUNTY PROSECUTING ATTORNEY
MADISON COUNTY
AUDIT RESULT AND COMMENT

RECEIPT ISSUANCE - PRE-TRIAL DIVERSION FEES

As stated in previous audit reports, the County Prosecuting Attorney's office collects pre-trial diversion fees instead of requiring clients to remit these fees to the Clerk hearing the violation. Money orders made out to various referring courts for pre-trial diversion fees are collected in the Prosecuting Attorney's office and then delivered to the referring courts. Approved or prescribed receipt forms were not issued to clients for the money orders received by the County Prosecuting Attorney's office, but were receipted by the Clerk of the referring court at a later date when the money orders were delivered to those courts. In some instances, the clients sent money orders made out to Madison County instead of to the referring court. When this happened, the County Prosecuting Attorney's office would remit the collections to the Auditor's office to be receipted into the Pre-Trial Diversion fund. The County Prosecuting Attorney's office used an internally designed electronic receipt. The electronic receipts in use were not prenumbered, did not have duplicates, were not generated by a financial software system, and were not approved by the Indiana State Board of Accounts.

Indiana Code 33-37-4-1(c) states in part:

"Instead of the criminal costs fee prescribed by this section, except for the automated record keeping fee (IC 33-37-5-21), the clerk shall collect a pretrial diversion fee if an agreement between the prosecuting attorney and the accused person entered into under IC 33-39-1-8 requires payment of those fees by the accused person. . . ."

The unit agrees to comply with the following conditions, if applicable, for any new forms installed:

1. The forms installed are subject to review and/or recommendations during engagements of the unit to ensure compliance with current laws and uniform compliance guidelines.
2. Any receipts, checks, purchase orders, or other forms that require numbering shall be either prenumbered by an outside printing supplier or numbered by the unit's computer system with sufficient controls installed in the system to prevent unauthorized generation of the form or duplication of numbers.
3. All receipts must be either in duplicate or recorded in a prescribed or approved register of receipts.

(Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Fees can only be collected as specifically authorized by law or properly authorized resolutions/ordinances. When a fee is NOT specified by law, but instead through the use of an ordinance/resolution, sufficient authoritative reference should be maintained. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY PROSECUTING ATTORNEY
MADISON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 11, 2017, with Steffanie L. Owens, Vice President of the Board of County Commissioners; Rick G. Gardner, County Auditor; and Mike Gaskill, County Council member.