

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WARRICK COUNTY, INDIANA

January 1, 2015 to December 31, 2015



FILED
07/28/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Deborah K. Stevens	01-01-15 to 12-31-18
County Treasurer	Patricia A. Brooks Judy M. Beem	01-01-13 to 12-31-16 01-01-17 to 12-31-20
Clerk of the Circuit Court	Sarah E. Redman Patricia E. Perry	01-01-13 to 10-12-15 10-13-15 to 12-31-20
County Sheriff	Brett W. Kruse	01-01-15 to 12-31-18
County Recorder	Yvonne Hughes Patricia A. Brooks	01-01-13 to 12-31-16 01-01-17 to 12-31-20
President of the Board of County Commissioners	Don Williams Marlin Weisheit	01-01-15 to 12-31-16 01-01-17 to 12-31-17
President of the County Council	Gary Meyer	01-01-15 to 12-31-1



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF WARRICK COUNTY, INDIANA

This report is supplemental to our audit report of Warrick 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
WARRICK COUNTY

COUNTY AUDITOR
WARRICK COUNTY
FEDERAL FINDING

**FINDING 2015-002 - 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 County Auditor entered and submitted federal award information within the County's Annual Report on Gateway, which was used to compile the County's SEFA. There was no evidence of a control, such as an oversight, review, or approval process by the County.

The following errors were noted on the SEFA: one federal grant was omitted; two separate grants that were combined in the same fund on the County's ledger were reported as one grant on the SEFA; six grants had incorrect amounts reported; and several grants did not contain the pass-through entity identifying number.

Audit adjustments that netted to \$151,652 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. . . ."

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 section 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

COUNTY AUDITOR
WARRICK COUNTY
FEDERAL FINDING
(Continued)

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 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 that 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 ensure proper reporting of federal expenditures on 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.



Deborah K. Stevens
Auditor
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(812) 897-6110
Judicial Center Building
One County Square, Suite 240
Boonville, Indiana 47601

CORRECTIVE ACTION PLAN

FINDING 2015-002

Deborah K. Stevens
812-897-6110

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

In response to errors in reporting the Schedule of Expenditures of Federal Awards we now have internal controls which require all grant information and activity reported be reviewed by the Auditor and Chief Deputy prior to submission. We have implemented, beginning in 2017, a monthly reconciliation report for all Title IV-D advance and reimbursed expenditures. We provide monthly transaction history reports to help the department heads reconcile receipts and disbursements for the federal grants they are awarded.

Anticipated Completion Date: March 31, 2017

Respectfully,

Deborah K. Stevens
Warrick County Auditor
March 20, 2017

COUNTY AUDITOR
WARRICK COUNTY
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The financial statement included the following funds with overdrawn cash balances at December 31, 2015:

Fund	Amount Overdrawn
Payroll Withholding - Savings	\$ 38,224
Payroll Withholding - Federal	653
Payroll Withholding - FICA & Medicare	435
Payroll Withholding - PERF	10,358
Payroll Withholding - Union Dues	635
93.563 Prosecutor IV-D Incent	4,235
Recovery Resources	250

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

COUNTY AUDITOR
WARRICK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 11, 2017, with Deborah K. Stevens, County Auditor; B.J. Farrell, Chief Deputy County Auditor; Marlin Weisheit, President of the Board of County Commissioners; Dan Saylor, Vice President of the Board of County Commissioners; Robert H. Johnson, Jr., County Commissioner; Greg Richmond, Vice President of the County Council; Ted Metzger, Council member; Cliff Whitehead, Council Attorney; Roger E. Emmons, County Administrator; and Krystal Powless, Council Administrator.

COUNTY TREASURER
WARRICK COUNTY

COUNTY TREASURER
WARRICK COUNTY
FEDERAL FINDING

FINDING 2015-001 - INTERNAL CONTROLS OVER BANK RECONCILIATIONS

Condition

The County had controls in place over bank reconciliations; however, the controls were not adequate in detecting errors in the reconciliations performed. We consider the following deficiencies to be material weaknesses:

1. Monthly bank reconciliations were being performed by the Deputy County Treasurer and reviewed by the County Treasurer. A Comparison Report was run to verify that the County Treasurer's fund balances were in agreement with the County Auditor's fund balances. However, the fund balances per the County Treasurer's Cash Book exceeded the County Treasurer's fund balances reported on the Monthly Comparison Report by \$12,126 as of December 31, 2015. This was not detected during the performance or review of the bank reconciliation.
2. An electronic payment for state and local taxes was made on May 19, 2015, in the amount of \$27,923. This amount was posted on the County Treasurer's Cash Book, but was not disbursed from the County Auditor's Fund Ledger until February 6, 2017, when it was brought to the County Auditor's attention during the audit.

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.

COUNTY TREASURER
WARRICK COUNTY
FEDERAL FINDING
(Continued)

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."

Cause

Management of the County had not established adequate controls to ensure the reconciliations performed were accurate.

Effect

The failure to establish adequate 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 have been 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.



WARRICK COUNTY TREASURER
JUDY BEEM
Treasurer
Warrick County Judicial Center
One County Square, Suite 270
Boonville, IN 47601
Phone: 812-897-6166 Fax: 812-897-6167
jbeem@warrickcounty.gov

March 21, 2017

CORRECTIVE ACTION PLAN

Finding 2015-001

Contact Person Responsible for Corrective Action: Judy Beem

Contact Phone Number: 812 897-6166

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Internal controls: All payments are verified and entered into Cashbook and then into the financial software. These amounts are reviewed daily for any deviations. Should a discrepancy appear, we speak with the Auditor's office to locate the cause and correct as required, as soon as the cause of the discrepancy can be verified. The manual balancing is performed daily in the Treasurer's office.

I also recommend updating the current limited software system to one that has the capability of interfacing adjustments between the Auditor and the Treasurer and one that provides a cashbook system. The Treasurer's office currently operates from three separate non-integrated systems which increases the risk for data entry errors.

Anticipated Completion Date: Currently performing manual daily balancing.

Judy M. Beem,
Warrick County Treasurer
March 21, 2017

COUNTY TREASURER
WARRICK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 11, 2017, with Judy M. Beem, County Treasurer, and Patricia A. Brooks, former County Treasurer.

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BOARD OF COUNTY COMMISSIONERS
WARRICK COUNTY

BOARD OF COUNTY COMMISSIONERS
WARRICK COUNTY
AUDIT RESULT AND COMMENT

PENALTIES, INTEREST, AND OTHER CHARGES

The County had not established adequate policies and procedures for the processing of claims to ensure that penalties, interest, and other charges were not assessed or paid on invoices and bills due.

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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BOARD OF COUNTY COMMISSIONERS
WARRICK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 11, 2017, with Deborah K. Stevens, County Auditor; B.J. Farrell, Chief Deputy County Auditor; Marlin Weisheit, President of the Board of County Commissioners; Dan Saylor, Vice President of the Board of County Commissioners; Robert H. Johnson, Jr., County Commissioner; Greg Richmond, Vice President of the County Council; Ted Metzger, Council member; Cliff Whitehead, Council Attorney; Roger E. Emmons, County Administrator; and Krystal Powless, Council Administrator.

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COUNTY SHERIFF
WARRICK COUNTY

COUNTY SHERIFF
WARRICK COUNTY
AUDIT RESULT AND COMMENT

BANK ACCOUNT RECONCILIATIONS - JAIL INMATE FUNDS 1 AND 2

Depository reconciliations of the Jail Inmate Funds 1 and 2 balances to the bank account balances were conducted; however, the reconciliations did not reconcile. The disbursements per the bank statement exceeded the disbursements recorded to the inmate fund 2 ledger by \$845 for the audit period. The variance between the bank disbursements and the record disbursements was not identified. The December 31, 2015 bank reconciliation contained an unidentified variance of \$845.

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
WARRICK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 11, 2017, with Brett W. Kruse, County Sheriff, and Michael K. Wilder, Chief Deputy County Sheriff.