

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ORANGE COUNTY, INDIANA

January 1, 2015 to December 31, 2015



**FILED**  
08/10/2017



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Donna Atchison Lonnie Stroud	01-01-13 to 12-31-16 01-01-17 to 12-31-20
County Treasurer	Sandy Hill Billie Deel	01-01-13 to 12-31-16 01-01-17 to 12-31-20
Clerk of the Circuit Court	Beth Jones	01-01-13 to 12-31-20
County Sheriff	Joshua Babcock	01-01-15 to 12-31-18
County Recorder	Terry Nicholson Sandy Hill	01-01-13 to 12-31-16 01-01-17 to 12-31-20
President of the Board of County Commissioners	Don Brewer	01-01-15 to 12-31-17
President of the County Council	Greg Farlow Kermit A. Lamb Matt Henderson	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

STATE BOARD OF ACCOUNTS  
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TO: THE OFFICIALS OF ORANGE COUNTY, INDIANA

This report is supplemental to our audit report of Orange 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/](http://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

June 12, 2017

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COUNTY AUDITOR  
ORANGE COUNTY

COUNTY AUDITOR  
ORANGE COUNTY  
FEDERAL FINDINGS

***FINDING 2015-001***

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Findings: Material weakness, material noncompliance

*Repeat Finding*

This was a repeat finding from the immediate prior year. The prior finding number was 2014-001.

*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). No evidence was presented for audit that would indicate there was oversight, review, approval or other compensating controls in place to verify the accuracy of the information and amounts.

The SEFA presented for audit contained the following material errors:

1. Four federal grants totaling \$278,830 in federal expenditures were not reported.
2. The expenditures of two federal grants were reported incorrectly resulting in an overstatement of \$261,754.
3. A state grant with expenditures totaling \$1,839 was reported as a federal grant.
4. The pass-through agency, federal program titles, and pass-through entity identifying numbers were incorrect for several federal programs listed on the SEFA.

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

*Criteria*

The 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. . . ."

COUNTY AUDITOR  
ORANGE COUNTY  
FEDERAL FINDINGS  
(Continued)

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 section 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:

- (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 accurate and complete reporting of federal expenditures on the SEFA.

COUNTY AUDITOR  
ORANGE COUNTY  
FEDERAL FINDINGS  
(Continued)

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition*.

*Views of Responsible Officials*

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

**FINDING 2015-002**

Subject: Financial Transactions and Reporting  
Audit Findings: Material weakness, material noncompliance

*Repeat Finding*

This was not a repeat finding from the immediate prior year.

*Condition*

There was a deficiency in the internal control system of the County, related to financial transactions and reporting, that constituted a material weakness:

Internal controls were not in place to detect that the financial statement presented for audit was materially incorrect. Errors noted included the following:

1. Nineteen different payroll withholding funds were reporting incorrectly.
2. The beginning balance of two funds were reported incorrectly.
3. The financial activity of one fund was not reported.

The errors noted above resulted in an understatement of receipts and disbursements in the amount of \$1,538,012 each and an understatement of the beginning and ending cash and investment balances in the amount of \$34,478.

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

*Criteria*

The 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:

COUNTY AUDITOR  
ORANGE COUNTY  
FEDERAL FINDINGS  
(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. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

*Cause*

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

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements of the financial statement remained undetected. The financial statement 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 2015-004**

Subject: Formula Grants for Rural Areas - Reporting

Federal Agency: Department of Transportation

Federal Program: Formula Grants for Rural Areas

CFDA Number: 20.509

Federal Award Numbers and Years (or Other Identifying Numbers): 1803329O, 1803229O, 1803229C, 14ARRA29C

Pass-Through Entity: Indiana Department of Transportation

Compliance Requirement: Reporting

Audit Finding: Material Weakness

*Repeat Finding*

This was a repeat finding from the immediate prior year. The prior finding number was 2014-005.

COUNTY AUDITOR  
ORANGE COUNTY  
FEDERAL FINDINGS  
(Continued)

*Condition*

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

The monthly fare itemization was not included in the documentation provided by the subrecipient to the County to verify the key line items on the quarterly Requests for Reimbursement. The County did not have any policies and procedures in place to ensure the quarterly Requests for Reimbursements were supported by proper documentation.

*Context*

Fare itemization documentation was not included with any of the reimbursement requests submitted by the subrecipient to the County. The supporting documentation was requested and obtained from the subrecipient for audit.

*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 would have ensured that the County complied with Reporting compliance requirement.

*Effect*

The failure to establish an effective internal control system placed the County at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the County's management establish controls related to the grant agreement and the Reporting compliance requirement.

*Views of Responsible Officials*

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

COUNTY AUDITOR  
ORANGE COUNTY  
FEDERAL FINDINGS  
(Continued)

***FINDING 2015-005***

Subject: Formula Grants for Rural Areas - Subrecipient Monitoring  
Federal Agency: Department of Transportation  
Federal Program: Formula Grants for Rural Areas  
CFDA Number: 20.509  
Federal Award Numbers and Years (or Other Identifying Numbers): 1803329O, 1803229O, 1803229C,  
14ARRA29C  
Pass-Through Entity: Indiana Department of Transportation  
Compliance Requirement: Subrecipient Monitoring  
Audit Findings: Material Weakness; Modified Opinion

*Repeat Finding*

This was a repeat finding from the immediate prior year. The prior finding number was 2014-006.

*Condition*

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the Subrecipient Monitoring compliance requirement.

The County reimbursed the subrecipient of the grant based only upon the Claim Receipts submitted by the subrecipient. The County did not have policies and procedures in place to monitor the subrecipient, and no actual monitoring occurred.

The County did not ensure that their subrecipient obtained the required audits, nor did they obtain or review the audit reports so that they could take appropriate or timely action, if required.

The County did not obtain or require their subrecipient to provide them with their DUNS number.

*Context*

This was a systemic problem within the program. At no point during the year under audit was there any documentation or evidence to indicate that the County was actively monitoring the subrecipient.

*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."

OMB Circular A-133, Subpart D, section .400(d) states in part:

"Pass-through entity responsibilities. A pass-through entity shall perform the following for the Federal awards it makes: . . .

COUNTY AUDITOR  
ORANGE COUNTY  
FEDERAL FINDINGS  
(Continued)

- (3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- (4) Ensure that subrecipients expending \$300,000 (*\$500,000 for fiscal years ending after December 31, 2003*) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.
- (5) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action. . . ."

2 CFR Appendix A(B) to Part 25.360 states:

"If you are authorized to make subawards under this award, you:

1. Must notify potential subrecipients that no entity (see definition in paragraph C of this award term) may receive a subaward from you unless the entity has provided its DUNS number to you.
2. May not make a subaward to an entity unless the entity has provided its DUNS number to you."

*Cause*

Management had not developed a system of internal controls that would have ensured that the County complied with the Subrecipient Monitoring compliance requirement.

*Effect*

The failure to establish an effective internal control system caused the County to be in noncompliance with the compliance requirement and the grant agreement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the County's management establish controls related to the grant agreement and the Subrecipient Monitoring compliance requirement. We also recommended that the County monitor the activities of the subrecipient as required by the compliance guidelines and the grant agreement.

*Views of Responsible Officials*

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

**Lonnie Stroud**  
**Orange County Auditor**

Orange County Government  
205 East Main Street, Suite 1  
Paoli, Indiana 47454  
Phone: 812-723-3600  
Fax: 812-723-4556

CORRECTIVE ACTION PLAN

**FINDING 2015-001**


Contact Person Responsible for Corrective Action: Lonnie Stroud  
Contact Phone Number: 812-723-7100

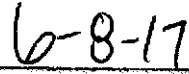
We concur with the finding.

Description of Corrective Action Plan: Corrections were made to the SEFA. Newly elected official will establish internal controls to ensure proper reporting of the SEFA.

Anticipated Completion Date: June 7, 2017

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

**Lonnie Stroud**  
**Orange County Auditor**

Orange County Government  
205 East Main Street, Suite 1  
Paoli, Indiana 47454  
Phone: 812-723-3600  
Fax: 812-723-4556

CORRECTIVE ACTION PLAN

**FINDING 2015-002**

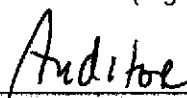
Contact Person Responsible for Corrective Action: Lonnie Stroud  
Contact Phone Number: 812-723-7100

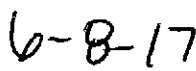
We concur with the finding.

Description of Corrective Action Plan: Corrections were made to the financial statement. Newly elected official will establish internal controls to ensure proper reporting of the annual financial statement.

Anticipated Completion Date: June 7, 2017

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

**Lonnie Stroud**  
**Orange County Auditor**

Orange County Government  
205 East Main Street, Suite 1  
Paoli, Indiana 47454  
Phone: 812-723-3600  
Fax: 812-723-4556

CORRECTIVE ACTION PLAN

**FINDING 2015-004**

Contact Person Responsible for Corrective Action: Lonnie Stroud  
Contact Phone Number: 812-723-7100

We concur with the finding.

Description of Corrective Action Plan: The quarterly request for reimbursement will be reviewed and signed prior to funds being released.

Anticipated Completion Date: June 7, 2017

  
\_\_\_\_\_  
(Signature)

Auditor  
\_\_\_\_\_  
(Title)

6-8-17  
\_\_\_\_\_  
(Date)

**Lonnie Stroud**  
**Orange County Auditor**

Orange County Government  
205 East Main Street, Suite 1  
Paoli, Indiana 47454  
Phone: 812-723-3600  
Fax: 812-723-4556

CORRECTIVE ACTION PLAN

**FINDING 2015-005**

Contact Person Responsible for Corrective Action: Lonnie Stroud  
Contact Phone Number: 812-723-7100

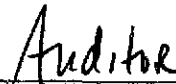
We concur with the finding.

Description of Corrective Action Plan: The County will be reviewing claims and making documentation that the review is complete by signature. DUNS numbers will be required and documented.

Anticipated Completion Date: June 7, 2017



(Signature)



(Title)



(Date)

COUNTY AUDITOR  
ORANGE COUNTY  
AUDIT RESULT AND COMMENT

**OVERDRAWN CASH BALANCES**

The financial statement presented in the Financial Statement and Federal Single Audit Report included the following funds with overdrawn cash balances at December 31, 2015:

Fund	2015 Amount Overdrawn
Health	\$ 1,541
Payroll Withholding - FICA & Medicare	46
Boston Mutual Life Ins Co.	33
Liberty National	35
Orange Co Law Enforcement Cont	346

A similar comment was reported in the prior Report B46726.

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  
ORANGE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on June 12, 2017, with Lonnie Stroud, County Auditor; Don Brewer, President of the Board of County Commissioners; and Matt Henderson, President of the County Council.

COUNTY SHERIFF  
ORANGE COUNTY

COUNTY SHERIFF  
ORANGE COUNTY  
AUDIT RESULTS AND COMMENTS

**COMMISSARY REIMBURSEMENTS**

Numerous expenses that should have been paid from County funds totaling \$9,931 were paid from the Commissary fund, thereby circumventing the claims process. A claim was then later submitted to the County Auditor to reimburse the Commissary fund for these expenditures from the appropriate funds on the County Auditor's ledger. The majority of the reimbursements were for items such as postage, ammunition, hotel, food, supplies, etc.

A similar comment was reported in the prior Report B46726.

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Indiana Code 36-8-10-21(d) states:

"The sheriff, or the sheriff's designee, at the sheriff's or the sheriff's designee's discretion and without appropriation by the county fiscal body, may disburse money from the fund for:

- (1) merchandise for resale to inmates through the commissary;
- (2) expenses of operating the commissary, including, but not limited to, facilities and personnel;
- (3) special training in law enforcement for employees of the sheriff's department;
- (4) equipment installed in the county jail;
- (5) equipment, including vehicles and computers, computer software, communication devices, office machinery and furnishings, cameras and photographic equipment, animals, animal training, holding and feeding equipment and supplies, or attire used by an employee of the sheriff's department in the course of the employee's official duties;

COUNTY SHERIFF  
ORANGE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (6) an activity provided to maintain order and discipline among the inmates of the county jail;
- (7) an activity or program of the sheriff's department intended to reduce or prevent occurrences of criminal activity, including the following:
  - (A) Substance abuse.
  - (B) Child abuse.
  - (C) Domestic violence.
  - (D) Drinking and driving.
  - (E) Juvenile delinquency.
- (8) expenses related to the establishment, operation, or maintenance of the sex and violent offender registry web site under IC 36-2-13-5.5; or
- (9) any other purpose that benefits the sheriff's department that is mutually agreed upon by the county fiscal body and the county sheriff.

Money disbursed from the fund under this subsection must be supplemental or in addition to, rather than a replacement for, regular appropriations made to carry out the purposes listed in subdivisions (1) through (8)."

**COMPENSATION AND BENEFITS**

Two checks, for \$1,000 each, were disbursed to two employees from the Commissary fund with no supporting documentation. These disbursements were discussed with the Comptroller. She indicated these were payments for additional compensation which were not included in the payroll system or on the salary ordinance or resolution.

A similar comment was reported in the prior Report B46726.

Indiana Code 36-8-10-21(d) states:

"The sheriff, or the sheriff's designee, at the sheriff's or the sheriff's designee's discretion and without appropriation by the county fiscal body, may disburse money from the fund for:

- (1) merchandise for resale to inmates through the commissary;
- (2) expenses of operating the commissary, including, but not limited to, facilities and personnel;
- (3) special training in law enforcement for employees of the sheriff's department;
- (4) equipment installed in the county jail;

COUNTY SHERIFF  
ORANGE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (5) equipment, including vehicles and computers, computer software, communication devices, office machinery and furnishings, cameras and photographic equipment, animals, animal training, holding and feeding equipment and supplies, or attire used by an employee of the sheriff's department in the course of the employee's official duties;
- (6) an activity provided to maintain order and discipline among the inmates of the county jail;
- (7) an activity or program of the sheriff's department intended to reduce or prevent occurrences of criminal activity, including the following:
  - (A) Substance abuse.
  - (B) Child abuse.
  - (C) Domestic violence.
  - (D) Drinking and driving.
  - (E) Juvenile delinquency.
- (8) expenses related to the establishment, operation, or maintenance of the sex and violent offender registry web site under IC 36-2-13-5.5; or
- (9) any other purpose that benefits the sheriff's department that is mutually agreed upon by the county fiscal body and the county sheriff.

Money disbursed from the fund under this subsection must be supplemental or in addition to, rather than a replacement for, regular appropriations made to carry out the purposes listed in subdivisions (1) through (8)."

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation should be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

***PRESCRIBED FORMS***

The County Sheriff did not use the prescribed form, General Form 358, Ledger of Receipts, Disbursements and Balances, to record the transactions and balances of the Commissary fund. Nor did he request approval for an alternative form to be used in lieu of the prescribed form.

A similar comment was reported in the prior Report B46726.

COUNTY SHERIFF  
ORANGE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 36-8-10-21(e) states:

"The sheriff shall maintain a record of the fund's receipt and disbursements. The state board of accounts shall prescribe the form for this record. The sheriff shall semiannually provide a copy of this record of receipts and disbursements to the county fiscal body. The semiannual reports are due on July 1 and December 31 of each year."

Indiana Code 36-8-10-21(e) requires the sheriff to maintain a record of the jail commissary fund's receipts and disbursements. Such records shall be maintained on General Form No. 358, Ledger of Receipts, Disbursements and Balances. The Sheriff shall semiannually provide a copy of such record to the County Council. (The County Bulletin and Uniform Compliance Guidelines, Volume 378, p. 5)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY SHERIFF  
ORANGE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on June 12, 2017, with Joshua Babcock, County Sheriff; April Lynd, Comptroller; Don Brewer, President of the Board of County Commissioners; and Matt Henderson, President of the County Council.

BOARD OF COUNTY COMMISSIONERS  
ORANGE COUNTY

BOARD OF COUNTY COMMISSIONERS  
ORANGE COUNTY  
AUDIT RESULT AND COMMENT

**COMPENSATION AND BENEFITS**

Two checks, for \$1,000 each, were disbursed to two employees from the Commissary fund with no supporting documentation. These disbursements were discussed with the Comptroller. She indicated these were payments for additional compensation which were not included in the payroll system or on the salary ordinance or resolution.

A similar comment was reported in the prior Report B46726.

Indiana Code 36-8-10-21(d) states:

"The sheriff, or the sheriff's designee, at the sheriff's or the sheriff's designee's discretion and without appropriation by the county fiscal body, may disburse money from the fund for:

- (1) merchandise for resale to inmates through the commissary;
- (2) expenses of operating the commissary, including, but not limited to, facilities and personnel;
- (3) special training in law enforcement for employees of the sheriff's department;
- (4) equipment installed in the county jail;
- (5) equipment, including vehicles and computers, computer software, communication devices, office machinery and furnishings, cameras and photographic equipment, animals, animal training, holding and feeding equipment and supplies, or attire used by an employee of the sheriff's department in the course of the employee's official duties;
- (6) an activity provided to maintain order and discipline among the inmates of the county jail;

BOARD OF COUNTY COMMISSIONERS  
ORANGE COUNTY  
AUDIT RESULT AND COMMENT  
(Continued)

- (7) an activity or program of the sheriff's department intended to reduce or prevent occurrences of criminal activity, including the following:
  - (A) Substance abuse.
  - (B) Child abuse.
  - (C) Domestic violence.
  - (D) Drinking and driving.
  - (E) Juvenile delinquency.
- (8) expenses related to the establishment, operation, or maintenance of the sex and violent offender registry web site under IC 36-2-13-5.5; or
- (9) any other purpose that benefits the sheriff's department that is mutually agreed upon by the county fiscal body and the county sheriff.

Money disbursed from the fund under this subsection must be supplemental or in addition to, rather than a replacement for, regular appropriations made to carry out the purposes listed in subdivisions (1) through (8)."

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation should be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

BOARD OF COUNTY COMMISSIONERS  
ORANGE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on June 12, 2017, with Don Brewer, President of the Board of County Commissioners.

COUNTY COUNCIL  
ORANGE COUNTY

COUNTY COUNCIL  
ORANGE COUNTY  
AUDIT RESULT AND COMMENT

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COUNTY COUNCIL  
ORANGE COUNTY  
AUDIT RESULT AND COMMENT  
(Continued)

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COUNTY COUNCIL  
ORANGE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on June 12, 2017, with Matt Henderson, President of the County Council.

CLERK OF THE CIRCUIT COURT  
ORANGE COUNTY

CLERK OF THE CIRCUIT COURT  
ORANGE COUNTY  
FEDERAL FINDING

***FINDING 2015-003***

Subject: Internal Controls over Financial Transactions and Reporting  
Audit Finding: Material weakness

*Repeat Finding*

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

*Condition*

There was the following deficiency in the internal control system of the Clerk of the Circuit Court (Clerk) related to financial transactions and reporting. There was a lack of segregation of duties in recordkeeping. There were no controls in place to ensure that the receipts and disbursements posted to the records, the monthly reconciliations, and the reports were complete and accurate.

All Clerk's office employees collected payments and used the same cash drawer. The bookkeeper receipted payments, and was solely responsible for posting receipts to the records, preparing the deposits, and taking the deposits to the bank. The bookkeeper was also responsible for reconciling the bank statements monthly and preparing the monthly Clerk's report.

The bookkeeper was also the sole employee responsible for writing, issuing, and posting all checks for the department.

*Criteria*

The 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:

CLERK OF THE CIRCUIT COURT  
ORANGE 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 Clerk had not established a proper system of internal controls, including segregation of duties, to ensure that all financial transactions were properly recorded and accounted for.

*Effect*

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected, and could have increased the risk of incorrect financial reporting.

*Views of Responsible Officials*

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

*BETH JONES*  
*ORANGE CIRCUIT COURT CLERK*

1 COURT STREET  
PAOLI, IN 47454  
812 723-2649  
FAX 812 723-023

Email: [countyclerk@co.orange.in.us](mailto:countyclerk@co.orange.in.us)

CORRECTIVE ACTION PLAN

Finding 2015-003

Contact Person Responsible for Corrective Action: Beth A. Jones  
Contact Phone Number: (812) 723-2649

Views of Responsible Official: I concur with the finding.

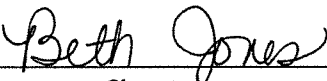
Description of Corrective Action Plan:


The Clerk reviews all monthly reports prepared by the bookkeeper and signs all reports before they are sent to the Auditor.

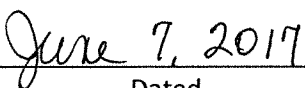
All employees receipt in payments on a daily basis. All employees write and issue checks.

Employees alternate preparing the daily deposits. The deposits are reviewed, initialed, and taken to the bank by an employee other than the one preparing the deposit for that day.

Anticipated Completion Date: The above Corrective Action Plan was put into place beginning May 16, 2016, as a result of our 2014 audit.

  
\_\_\_\_\_  
Signature

  
\_\_\_\_\_  
Title

  
\_\_\_\_\_  
Dated

CLERK OF THE CIRCUIT COURT  
ORANGE COUNTY  
AUDIT RESULT AND COMMENT

***DEPOSITS NOT MADE INTACT***

Six of sixteen days' tested receipts where cash receipts were not deposited in the same form as the collections. In each instance, the total amount deposited agreed with the total collections per the daily receipt ledger; however, the bank deposit slip showed less cash being deposited and more checks being deposited than the amount shown for those classifications on the daily receipt register. Employees were allowed to cash personal checks from the days' collections.

A similar comment was reported in the prior Report B46726.

Indiana Code 5-13-6-1(c) states in part: ". . . Public funds deposited . . . shall be deposited in the same form in which they were received."

*BETH JONES*  
*ORANGE CIRCUIT COURT CLERK*

1 COURT STREET

PAOLI, IN 47454

812 723-2649

FAX 812 723-023

Email: [countyclerk@co.orange.in.us](mailto:countyclerk@co.orange.in.us)

June 12, 2017

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E 418  
INDIANAPOLIS IN 46204 2765

"OFFICIAL RESPONSE"

With regard to the comment made on our 2015 audit concerning cashing personal checks through the Clerk's office; as of May 16, 2016, a policy has been put into place whereby no personal checks are cashed or accepted in the Clerk's Office.

Respectfully Submitted,



Beth Jones  
Clerk Orange Circuit Court

CLERK OF THE CIRCUIT COURT  
ORANGE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on June 12, 2017, with Beth Jones, Clerk of the Circuit Court; Don Brewer, President of the Board of County Commissioners; and Matt Henderson, President of the County Council.