B48498

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

GRANT COUNTY, INDIANA

January 1, 2015 to December 31, 2015

FILED
08/15/2017

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SCHEDULE OF OFFICIALS

Office	Official	Term
County Auditor	Roger A. Bainbridge	01-01-15 to 12-31-18
County Treasurer	Sarah A. Melford	01-01-13 to 12-31-20
Clerk of the Circuit Court	Bonnie Cartwright (deceased) Carolyn Mowery	01-01-15 to 07-31-15 08-01-15 to 12-31-18
County Sheriff	Reggial E. Nevels, Sr.	01-01-15 to 12-31-18
County Recorder	Pamela K. Harris	01-01-13 to 12-31-20
President of the Board of County Commissioners	John Lawson Michael H. Burton	01-01-15 to 12-31-16 01-01-17 to 12-31-17
President of the County Council	James E. McWhirt	01-01-15 to 12-31-17

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of Grant 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 16, 2017

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COUNTY AUDITOR
GRANT COUNTY

COUNTY AUDITOR
GRANT COUNTY
FEDERAL FINDINGS

FINDING 2015-001 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition

The County did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The SEFA presented for audit contained the following errors:

1. The School Breakfast Program expenditures were understated by $12,229.
2. The National School Lunch Program expenditures were overstated by $12,229.
3. The Crime Victim Assistance expenditures were overstated by $71.
4. The Drug Court Discretionary Grant Program was understated by $36,513.
5. The Violence Against Women Formula Grants were understated by $34,649.
6. The Edward Byrne Memorial Justice Assistance Grant Program was understated by $23,313.
7. The Highway Planning and Construction was understated by $463,238.
8. The State and Community Highway Safety was understated by $28,138.
9. The Occupant Protection Incentive Grants were understated by $8,785.
10. The Interagency Hazardous Materials Public Sector Training and Planning Grants was understated by $9,460.
11. The Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements were understated by $8,823.
12. The Child Support Enforcement was understated by $720,876.
13. The State Court Improvement Program was understated by $32,797.
14. The Emergency Management Performance Grants were understated by $8,485.
15. The Homeland Security Grant Program was understated by $49,605.

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

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. 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 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 a 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 section 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 section 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

Without a proper system of internal control in place that operated effectively, (material) misstatements of the SEFA could have 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 - FINANCIAL TRANSACTIONS AND REPORTING

Condition

There were several deficiencies in the internal control system of the County Treasurer's and County Auditor's offices related to financial transactions and reporting. The following deficiencies are considered to be material weaknesses:

1. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the County's audited financial statement, then determining how those identified risks should be managed. The County had not identified risk regarding the preparation of a reliable financial statement and, as a result, had failed to design effective controls over the preparation of the financial statement to prevent, or detect and correct, material misstatements, including notes to the financial statement.

2. Monitoring of Financial Information: Effective internal controls over financial reporting requires the Board of County Commissioners or their designee to monitor and assess the monthly financial information. The Board of County Commissioners or their designees had not reviewed monthly financial information (i.e. such fund and financial appropriations reports, depository bank reconcilements) on a timely basis. The failure to adequately review financial information places the County at risk that material misstatements will not be prevented, or detected and corrected, in a timely manner.

3. Reconcilements: Proper controls were not established between the County Treasurer's and County Auditor's offices to accurately prepare reconcilements for any of the months during the audit period. The balance per the bank accounts did not agree with the bank balances reported in the County Treasurer's Cash Book. Neither the balances per the bank accounts nor the balance per the County Treasurer's Cash Book reconciled to the

fund balances on the Annual Financial Statement (Auditor's Fund Ledger). A number of adjustments were made and reflected on the County Treasurer's Cash Book. As of December 31, 2015, the difference between the adjusted bank balance and the County Auditor's Fund Ledger indicated a cash short of $69,815, which was determined to be immaterial to the financial statement as a whole.

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 risk assessment and control activities. According to this manual:

"Risk is the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment is the process used to identify and assess internal and external risks to the achievement of objectives, and then establish risk tolerances. Each identified risk is evaluated in terms of its impact and likelihood of occurrence. Overall, risk assessment is the basis for determining how risk will be managed."

"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

Management had not conducted a risk assessment related to the County's financial reporting and transactions.

Effect

The failure to establish controls could have 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 operated 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.

Roger A. Bainbridge
Grant County Auditor
Grant County Complex
401 S. Adams St., Room 222
Marion, IN 46953-2099
Phone: 765-668-6552 E-mail: grantcountyauditor@gmail.com FAX: 765-668-6582

Tammy Miller
Chief Deputy

Chris Hancock
Assistant Chief Deputy

CORRECTIVE ACTION PLAN

Finding 2015-001

Contact Person Responsible for Corrective Action: Tammy Miller, Grant County Chief Deputy Auditor
Contact Phone Number: 765-668-6552

Description of Corrective Action Plan:

The Schedule of Expenditures of Federal Awards is created annually in Gateway, so each year the Chief Deputy Auditor, Tammy Miller, will prepare the schedule and then, within five days, will review it with the Claims/Grants Deputy, Jessica Floyd and compare it with Jessica's spreadsheet. Each entry on the Schedule will then be confirmed that it contains the correct items and expenditure amounts. There will be a report generated with the results of this review, and that report will be available to the Indiana State Board of Accounts for the next annual audit.

Anticipated Completion Date: September 1, 2017

Roger A. Bainbridge
County Auditor

Dated: May 16, 2017

Roger A. Bainbridge
Grant County Auditor
Grant County Complex
401 S. Adams St., Room 222
Marion, IN 46953-2099
Phone: 765-668-6552 E-mail: grantcountyauditor@gmail.com FAX: 765-668-6582

Tammy Miller
Chief Deputy

Chris Hancock
Assistant Chief Deputy

CORRECTIVE ACTION PLAN

Finding 2015-002

Contact Person Responsible for Corrective Action: Sarah Melford, Grant County Treasurer
Contact Phone Number: 765-668-6556

Description of Corrective Action Plan:

The County shall continue to use the services of an outside consultant to assist applicable officials in the bank reconcilement process. The County Treasurer is in the process of bringing the bank reconcilements up to date. Following completion of that task, future bank reconcilements will be completed within a reasonable time with acknowledgement by the County Auditor and the County Treasurer. Evidence of such reconcilements will be distributed each month for review to the County Council, in time for their monthly meeting on the third Wednesday of each month, and to the County Commissioners no later than the Tuesday before the County Council meeting.

Anticipated Completion Date: September 1, 2017

Roger A. Bainbridge
County Auditor

Dated: May 16, 2017

ANNUAL FINANCIAL REPORT

The Annual Financial Report (AFR) for 2015 contained the following errors and did not properly reflect the financial activity of the County:

1. Numerous funds were eliminated from the AFR.

2. Nineteen fund balances were incorrectly reported at January 1, 2015. The fund balances were not reflective of the December 31, 2014 balances in the amount of $2,631,575.

3. Thirty-three funds reported receipts totaling $17,373,083 less than audited totals.

4. Forty-five funds reported disbursements totaling $15,252,945 less than audited totals.

5. The Schedule of Expenditures of Federal Awards contained incorrect expenditure amounts for numerous grants.

6. The Schedule of Leases and Debt, the Schedule of Capital Assets, and the Schedule of Payables and Receivables submitted with the AFR were incomplete or inaccurate. The Schedule of Leases and Debt required numerous adjustments. Adequate supporting documentation to determine proper amounts for the Schedule of Capital Assets and the Schedule of Payables and Receivables was not available and, therefore, those schedules were not presented for December 31, 2015.

A similar comment appeared in prior Report B46551.

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."

INTERNAL CONTROLS - PAYROLL

On July 28, 2016, the Payroll Deputy wrote a payroll check to herself in the amount of $874 in advance of the regular payroll pay date. The pay date for that pay period was July 29, 2016. The check was signed with the County Auditor's signature stamp without his approval.

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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CONDITION OF RECORDS - TRUST FUNDS

Financial records presented for audit were incomplete and not reflective of the activity of the Tax Certificate Sale, Tax Sale Redemption, Tax Sale Surplus, and Surplus Tax Funds. The records presented did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

A similar comment appeared in prior Report B46551.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

APPROPRIATIONS

The records presented for audit indicated the Debt Service and Motor Vehicle Highway funds were spent in excess of budgeted appropriations in the amount of $263 and $7,950, respectively.

A similar comment appeared in prior Report B46551.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

PUBLIC RECORDS RETENTION

The debt schedules to support the payments made on the Complex Energy Project loan and the Jail/D-Home Energy Project loan were not available for audit.

A similar comment appeared in prior Report B46551.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

FUND LEDGER NOT IN AGREEMENT

The total fund per the County Auditor's funds ledger did not reconcile with the balance per the County Treasurer's Daily Balance of Cash and Depositories (Cash Book) at December 31, 2015. The County Treasurer's Cash Book exceeded the County Auditor's Ledger by $558,752, which has not been identified.

A similar comment appeared in prior Report B46551.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

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Grant County Auditor
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Tammy Miller
Chief Deputy

Chris Hancock
Assistant Chief Deputy

OFFICIAL RESPONSE

May 17, 2017

State Board of Accounts
302 West Washington Street
Room E 418
Indianapolis, IN 46204-2765

RE: Official Response to the ***PUBLIC RECORDS RETENTION*** section of the Audit Results and Comments for the 2015 audit year

Dear State Board of Accounts,

The above-referenced Audit Results say that "Debt schedules used for the Complex Energy Project loan and the Jail/D-Home Energy Project loan were not available for audit." In fact, the debt schedules, which were part of the bond documents, were available for the audit, but they did not conform to the amounts which were charged by STAR Financial Bank, as trustee, and subsequently paid. I have included as part of this response a copy of an e-mail from the bank which explains their position in the matter. My legal counsel, who took part in this financing, has not advised me that such an arrangement is not legally permissible, so I must presume that it is unless I hear otherwise.

When adding the results of the differences paid, I find that, to date, there has been a net overage charged by the bank of $1,021.49 for the Complex Energy Project loan, and $764.43 for the Jail/D-Home Energy Project loan. I consider such amounts to be immaterial. Although it is possible that future deviation from the debt schedule could create material amounts at that time, the Auditor's Office acknowledges its responsibility to make sure that does not happen. Since the bank's explanation indicates that the "slight variations to the interest amount" is caused by calculating the actual days in a period, I must again presume that the total interest payments will, by the date of the final payments, come within an immaterial amount to the total interest amounts on the debt schedule because the total number of days over the term of the loan cannot change – only those within a specific period. It will fall to my successor(s) to assure that occurs.

Roger A. Bainbridge
Auditor

Attachment

Tammy Miller

From: Brett Carey <Brett.Carey@starfinancial.com>
Sent: Tuesday, February 02, 2016 4:07 PM
To: Tammy Miller
Subject: FW: Grant County Indiana 16786440 & 16786446
Attachments: 0310_001.pdf; 0378_001.pdf

Tami—

Sorry for the delay in getting you an answer, but here it is!
Attached are the principal amortizations that are being used on our end. These schedules were from the bond documents prepared by Barnes. The schedules that you sent to us were estimates provided prior to closing to establish the principal portion of the payments in a manner that would make things as close to a "level" payment as we could without knowing what the actual funding date would be which caused some slight variations to the interest amount. The interest is calculated off actual days in the period, but the principal will always be the same as the attached schedules.

Hope this helps.

Let me know if you need anything else.

Thank you,

STAR
Bank Insurance | Private Advisory

Brett Carey | VP, Commercial Banker
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starfinancial.com

Bank whenever you want and wherever you are with the new STAR Bank mobile app. Transfer money, pay bills on the go, receive account alerts, and deposit checks right from your phone or tablet. Visit starfinancial.com/mobile-banking to download the app; available for both apple and android devices.

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COUNTY AUDITOR
GRANT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 16, 2017, with Roger A. Bainbridge, County Auditor; Tammy Miller, Chief Deputy County Auditor; Michael H. Burton, President of the Board of County Commissioners; and James E. McWhirt, President of the County Council.

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COUNTY TREASURER
GRANT COUNTY

COUNTY TREASURER
GRANT COUNTY
FEDERAL FINDING

FINDING 2015-002 - FINANCIAL TRANSACTIONS AND REPORTING

Condition

We noted several deficiencies in the internal control system of the County Treasurer's and County Auditor's offices related to financial transactions and reporting. We believe the following deficiencies to be material weaknesses:

1. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the County's audited financial statement, then determining how those identified risks should be managed. The County had not identified risk regarding the preparation of a reliable financial statement and, as a result, had failed to design effective controls over the preparation of the financial statement to prevent, or detect and correct, material misstatements, including notes to the financial statement.

2. Monitoring of Financial Information: Effective internal controls over financial reporting requires the Board of County Commissioners or their designee to monitor and assess the monthly financial information. The Board of County Commissioners or their designees had not reviewed monthly financial information (i.e. such fund and financial appropriations reports, depository bank reconcilements) on a timely basis. The failure to adequately review financial information places the County at risk that material misstatements will not be prevented, or detected and corrected, in a timely manner.

3. Reconcilements: Proper controls were not established between the County Treasurer's and County Auditor's offices to accurately prepare reconcilements for any of the months during the audit period. The balance per the bank accounts did not agree with the bank balances reported in the County Treasurer's Cash Book. Neither the balances per the bank accounts nor the balance per the County Treasurer's Cash Book reconciled to the fund balances on the Annual Financial Statement (Auditor's Fund Ledger). A number of adjustments were made and reflected on the County Treasurer's Cash Book. As of December 31, 2015, the difference between the adjusted bank balance and the Auditor's Fund Ledger indicated a cash short of $69,815, which was determined to be immaterial to the financial statement as a whole.

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 risk assessment and control activities. According to this manual:

"Risk is the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment is the process used to identify and assess internal and external risks to the achievement of objectives, and then establish risk tolerances. Each identified risk is evaluated in terms of its impact and likelihood of occurrence. Overall, risk assessment is the basis for determining how risk will be managed."

"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

Management had not conducted a risk assessment related to the County's financial reporting and transactions.

Effect

The failure to establish controls could have 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 operated 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.

Grant County
progress IN motion

CORRECTIVE ACTION PLAN

FINDING 2015-002

Contact Person Responsible for Corrective Action: Sarah Melford
Contact Phone Number: 765-668-6556

Grant County
Treasurer's Office

Sarah A. Melford
Treasurer

Views of Responsible Official:

I concur with the State Board of Accounts field examiners in their findings in the 2015 audit. It is understood that without complete and accurate reconcilement of the banks and with the auditor's office, the county financial status is compromised and put at risk.

Description of Corrective Action Plan:

Following the conclusion of the 2015 audit, the new chief deputy treasurer continues to move forward in a positive way to bring reconciliation to the county financials, along with the help of the treasurer. The treasurer's office is confident that complete reconcilement of bank accounts and balanced funds ledger with the auditor's office is well on its way to completion. Monthly reports will then be amended and/or generated in a timely manner and submitted to the council and board of commissioners for review. Factors contributing to the lack of reconcilement have been identified and measures that can be taken in the treasurer's office to correct this and prevent future deficiencies have been assessed and put into place as part of internal controls. Complete and accurate reconcilement is the highest priority of both the treasurer and the chief deputy treasurer.

Anticipated Completion Date: September 15, 2017

Sarah A. Melford
(Signature)

Treasurer
(Title)

May 16, 2017
(Date)

401 S. Adams Street
Marion, IN 46953
phone: **765.668.6556**
Fax: **765.651.0692**
smelford@grantcounty.net
www.grantcounty.net

BANK ACCOUNT RECONCILIATIONS

The County Treasurer has the statutory obligation to reconcile the bank accounts for the funds maintained by the County. Depository reconciliations of the fund balances to the bank account balances were not presented for audit during the audit period. As of December 31, 2015, the difference between the adjusted bank balance and County Auditor's Fund Ledger indicated a cash short of $69,815. Checks listed on the outstanding check report at December 31, 2015, contained numerous checks that had previously cleared. Also, outstanding checks listed on the outstanding check report date as far back as April 20, 2001.

A similar comment appeared in prior Report B46551.

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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

CONDITION OF RECORDS - CASH BOOK

Financial records presented for audit were incomplete and not reflective of the activity of the County Treasurer's Daily Balance of Cash and Depositories (Cash Book) (Form 47). The following audit adjustments were proposed, accepted by the County Treasurer, and made to the Cash Book.

1. A correcting entry for December 31, 2014, was posted again on January 4, 2015, in the amount of $996,556.

2. Fall 2015 tax settlement was erroneously posted twice in the amount of $30,223,794.

3. Erroneously posted receipts in the amount of $1,214,952.

4. Erroneously posted disbursements in the amount of $92,036.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

FUND LEDGER NOT IN AGREEMENT

The total funds per the County Auditor's fund ledger did not agree with the balance per the County Treasurer's Cash Book at December 31, 2015. The County Treasurer's Cash Book exceeded the County Auditor's Ledger by $558,752, which has not been identified.

A similar comment appeared in prior Report B46551.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

MONTHLY FINANCIAL REPORT (FORM 47TR)

The Treasurer's Monthly Financial Report (Form 47TR) is to be prepared by the 16th day of the following month. The report for December 2015 was filed February 15, 2017.

A similar comment appeared in the prior Report B46551.

On or before the 16th day of each month the treasurer shall prepare a report showing the financial condition of the office as of the close of business on the last day of the preceding month.

This report shall show the amounts with which the treasurer is chargeable for the various funds and accounts, the amounts with which the treasurer is credited for money on deposit, invested and cash on hand, and any long or short at the close of each month. The report also provides space for reconcilement with depositories.

The report shall be prepared in quadruplicate and each copy shall be verified by certificate of the treasurer. The treasurer shall retain one copy as a public record in the office and three copies shall be filed with the county auditor. The county auditor shall file the original of said reports with the records of the county board of finance, one copy shall be presented to the board of county commissioners at its next regular meeting, and the county auditor shall immediately transmit one copy to the State Board of Accounts. [IC 36-2-9-11 and 36-2-10-16] (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 5)

PERSONAL CHECKS SUBSTITUTED FOR CASH

Peggy Dickerson (Dickerson) was employed in the County Treasurer's office as Chief Deputy from August 1, 2012 to January 8, 2016. Dickerson's primary duties as Chief Deputy included reviewing bank deposits, taking deposits to the bank, reconciling bank accounts, and working with the County's financial accounting system.

On four occasions during 2015, Dickerson removed cash from the daily bank deposits for the County Treasurer's office and substituted her personal check. On each occasion Dickerson's personal check was returned by the bank for insufficient funds (NSF). The substituted NSF checks totaled $9,561.72.

On January 8, 2016, Dickerson became the First Deputy in the County Treasurer's office until her resignation on May 27, 2016. Dickerson's primary duties as First Deputy were collecting and recording property tax payments, balancing the cash drawers, and preparing daily collection reports and bank deposits.

Prior to the spring 2016 due date, the County received duplicate tax payments on two parcels of property. These duplicate payments were not reported to the County Auditor as surplus tax on the affected parcels. On May 11, 2016, Dickerson removed cash receipts from the daily bank deposit for the County Treasurer's office and replaced the cash with the duplicate tax payments/checks. In order to make the Pay Method Summary on the Drawer Balance Listing agree with the composition of the deposit, Dickerson recorded the method of Payment received on three parcels from one taxpayer as partially check and partially cash. The total Property Tax Checks substituted for cash was $1,634.12.

A special investigation was performed by the Indiana State Board of Accounts. For further details, see the Special Investigation Report B48096 found on the Indiana State Board of Accounts' website: http://www.in.gov/sboa/.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

Grant County
progress IN motion

May 17, 2016

State Board of Accounts
302 W Washington St, Room E418
Indianapolis, IN 46204-2765

RE: Official Response to Audit – 2015

Grant County
Treasurer's Office

Sarah A. Melford
Treasurer

Please accept this correspondence as my official response to the Audit Results and Comments included in the audit for the year ended December 31, 2015.

As Treasurer, I concur with the Audit Results and Comments included in this report. I fully accept the responsibilities of my office, and I regret that these problems have continued to plague my office. I assure to you, and to the taxpayers of Grant County, that I have taken steps to remediate these issues.

With the placement of a new chief deputy in the past year, and with the intense training she has received, I am confident that her dedication to the work and her skills she has exhibited will soon bring bank reconcilement current. Monthly financial reports will then be either amended or prepared and submitted to the required offices. Any reconcilements and reports going forward will be current to the schedule mandated by the Indiana State Board of Accounts.

I appreciate the manner in which the field examiners of the Indiana State Board of Accounts brought these issues to my attention and the guidance, insight and support they gave as my chief deputy and I began to take corrective action.

I want the public to know that I am committed to fulfill the responsibilities of the office of Grant County Treasurer in the prescribed manner. The deficiencies that have been noted will be corrected and reported in a timely manner in the near future and continued reconciling will be done in a current state.

Sincerely,

Sarah A. Melford

Sarah A. Melford

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Marion, IN 46953
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COUNTY TREASURER
GRANT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 16, 2017, with Sarah A. Melford, County Treasurer; Michael H. Burton, President of the Board of County Commissioners; and James E. McWhirt, President of the County Council.

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COUNTY SHERIFF
GRANT COUNTY

BANK ACCOUNT RECONCILIATIONS - SHERIFF CASHBOOK

Depository reconciliations of the Sheriff Cashbook fund balance to the bank account balance were incorrect. Reconcilements presented for audit contained unresolved reconciling errors from 2012 through 2015. The fund balance was $303 higher than the bank balance.

A similar comment appeared in prior Report B46551.

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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

JEAN (JOINT EFFORT AGAINST NARCOTICS) TEAM FUND

The JEAN Team fund is maintained by the County Sheriff's Department. The JEAN Team fund is used to supplement the JEAN Team's federal grant budget.

Indiana Codes 36-2-7-15 and 36-8-10-21 provide statutory authority for the establishment of the Sheriff's Cash Book and the Commissary fund, respectively. These are the only two funds specifically authorized to be held by the County Sheriff outside the Office of the County Auditor. The County Sheriff was informed that the County Auditor, as the Fiscal Officer of the County (IC 36-1-2-7) should maintain the JEAN Team Fund.

A similar comment appeared in prior Report B46551.

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of transaction. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

CONDITION OF RECORDS - SHERIFF COMMISSARY

Financial records presented for audit were incomplete and not reflective of the activity of the Sheriff Commissary fund. At December 31, 2015, Certificate of Deposits in the amount of $150,000 were not recorded in the Sheriff Commissary fund. Additionally, interest earned on the investment was automatically added to the principal and not recorded in the records of the Sheriff Commissary fund. As of December 31, 2015, the amount added to the principal and not included in the Sheriff Commissary fund was $3,297.

A similar comment appeared in prior Report B46551.

Interest on investments should not be added automatically to the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of transaction. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY SHERIFF
GRANT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 16, 2017, with Reggial E. Nevels, Sr., County Sheriff; Tom Holtzleiten, Chief Deputy County Sheriff; Sandie Graf, Matron; Kathi Baker, Bookkeeper; Michael H. Burton, President of the Board of County Commissioners; and James E. McWhirt, President of the County Council.

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BOARD OF COUNTY COMMISSIONERS
GRANT COUNTY

CREDIT CARDS

The County was using credit cards to purchase items without an approved credit card policy.

The SBOA will not take exception to the use of credit cards by a unit provided the following criteria are observed:

1. The governing body must authorize credit card use through an ordinance /resolution, which has been approved in a meeting and documented in the minutes.

2. Issuance and use must be handled by an official or employee designated by the governing body.

3. The purposes for which the credit card may be used must be specifically stated in the ordinance/resolution.

4. When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the responsible person.

5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.

6. Credit cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.

7. Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee may be the personal obligation of the responsible officer or employee.

8. If authorized, an annual fee may be paid.

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

BOARD OF COUNTY COMMISSIONERS
GRANT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 16, 2017, with Michael H. Burton, President of the Board of County Commissioners, and James E. McWhirt, President of the County Council.