

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

JOHNSON COUNTY, INDIANA

January 1, 2015 to December 31, 2015



FILED
08/15/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Pamela J. Burton	01-01-15 to 12-31-18
County Treasurer	Diane L. Edwards Michele Ann Graves	01-01-13 to 12-31-16 01-01-17 to 12-31-20
Clerk of the Circuit Court	Sue Anne Misiniec	01-01-15 to 12-31-18
County Sheriff	Doug Cox	01-01-15 to 01-31-18
County Recorder	Jill Jackson	01-01-15 to 12-31-18
President of the Board of County Commissioners	Brian Baird	01-01-15 to 12-31-17
President of the County Council	Pete Ketchum Brian Walker Beth Boyce	01-01-15 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF JOHNSON COUNTY, INDIANA

This report is supplemental to our audit report of Johnson 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, incorporated within this report, were not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

June 7, 2017

COUNTY AUDITOR
JOHNSON COUNTY

COUNTY AUDITOR
JOHNSON 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 contained the following errors: two programs were omitted and five programs were reported with errors. In total, the SEFA was overstated by \$174,898.

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 section 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

COUNTY AUDITOR
JOHNSON COUNTY
FEDERAL FINDINGS
(Continued)

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe the significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, 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 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS - COUNTY AUDITOR

Condition

There were deficiencies in the internal control system of the County Auditor related to financial transactions as follows.

COUNTY AUDITOR
JOHNSON COUNTY
FEDERAL FINDINGS
(Continued)

The County Auditor had not separated incompatible activities, including segregation of duties, related to the employee health benefit account.

The County had a fund for employee health benefits which was accounted for separately from the County Auditor's financial software. An excel spreadsheet was used to account for this fund. No receipts were issued. The disbursements were based on invoices from the County's third-party administrator. The County Auditor received a notice for the amount due to vendors and then the funds were electronically withdrawn from the bank accounts by the third-party administrator. The disbursements were not submitted to the Board of County Commissioners for approval, nor was there evidence that the County Auditor, as the County's Fiscal Officer, had approved the disbursements.

The bank reconcilements also were the responsibility of the County Auditor.

Information and copies of various reports were provided to various County staff; however, there were no established documented controls, such as an oversight, review, or approval process by the County Auditor's office to ensure that the funds ledger and bank reconcilements were being completed and were accurate.

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. . . ."

Indiana Code 5-11-10-2(a) states:

"Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

COUNTY AUDITOR
JOHNSON COUNTY
FEDERAL FINDINGS
(Continued)

Cause

The County Auditor had not established a system of internal control to ensure that the financial activity relating to employee health benefit accounts was reported properly. Additionally, there were no controls in place to ensure that the bank reconciliements were completed and accurate.

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected.

Views of Responsible Officials

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

FINDING 2015-006 - INTERNAL CONTROL OVER CHILD SUPPORT ENFORCEMENT

Federal Agency: Department of Health and Human Services

Federal Program: Child Support Enforcement

CFDA Number: 93.563

Federal Award Number and Year (or Other Identifying Number): 1504INCSES

Pass-Through Entity: Indiana Department of Child Services

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

Condition

The County had not established an effective internal control system over requirements relating to Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Performance, and Reporting.

Context

County Auditor:

Allowable Costs/Cost Principles:

A consultant prepared the Cost Allocation Plan for indirect costs charged to the program for the County. The County had not designed or implemented policies and procedures to ensure that the Cost Allocation Plan was properly prepared, included accurate information, and that allocated costs did not duplicate costs claimed for reimbursement on the Monthly Expense Claims.

COUNTY AUDITOR
JOHNSON COUNTY
FEDERAL FINDINGS
(Continued)

County Prosecutor:

*Activities Allowed or Unallowed, Allowable Costs/Cost Principles,
Cash Management, Period of Performance, and Reporting:*

The office staff prepared the Monthly Expense Claims. There was no evidence that the claims were reviewed to ensure that all reported expenditures were for allowable activities and costs, paid prior to requesting reimbursement, incurred within the period of availability, and whether the amounts reported were accurate.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish internal controls could have enabled material noncompliance to go undetected which could have resulted in the loss of federal funds to the County.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

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



Pamela J. Burton
JOHNSON COUNTY AUDITOR

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pburton@co.johnson.in.us

Date: 02/28/2017

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2014-001

Fiscal year finding occurred: 2014

Contact Person Responsible for Corrective Action: Pamela J Burton

Contact Phone Number: 317.346.4312

Status of Audit Finding: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue. The Auditor has established a system of internal control that will ensure proper reporting on the SEFA. This will prevent, detect and correct possible errors being reported on the SEFA

Respectfully,

A handwritten signature in black ink that reads "Pamela J. Burton". The signature is written in a cursive style with a large, looping initial "P".

Pamela J. Burton

Johnson County Auditor's Office

Date: 02/28/2017



Pamela J. Burton
JOHNSON COUNTY AUDITOR

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Date: 02/28/2017

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2014-002

Fiscal year finding occurred: 2014

Contact Person Responsible for Corrective Action: Pamela J Burton

Contact Phone Number: 317.346.4312

Status of Audit Finding: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue. The Auditor has separated incompatible activities, including segregation of duties related to the employee health benefit account. The County Auditor has established a system of internal controls to ensure that the financial activity relating to employee health benefit accounts are properly reported.

Respectfully,

A handwritten signature in cursive script that reads "Pamela J. Burton". The signature is written in black ink and is positioned above the typed name.

Pamela J. Burton

Johnson County Auditor's Office

Date: 02/28/2017



Pamela J. Burton
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Date: 02/28/17

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2014-006

Fiscal year finding occurred: 2014

Federal Agency: Department of Health and Human Services/Child Support Enforcement

Contact Person Responsible for Corrective Action: Pamela J. Burton

Contact Phone Number: 317.346.4312

Status of Audit Finding: - Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue. The Auditor has established internal controls, including segregation of duties as related to the grant agreement and is in compliance with grant requirements.

Respectfully,

A handwritten signature in cursive script that reads "Pamela J. Burton".

Pamela J. Burton

Johnson County Auditor's Office

Date: 02/28/2017

COUNTY AUDITOR
JOHNSON COUNTY
AUDIT RESULTS AND COMMENTS

CAPITAL ASSETS

The County had not properly maintained a complete detailed listing of all capital assets. Capital asset records that were accounted for on a prior computer system had not been retained to support the beginning balances of the current asset records. There was no evidence of a physical inventory within the last two years.

This comment was reported in the prior Report B48262.

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

OVERDRAWN CASH BALANCES

As noted in the prior audit period, the financial statements presented in this report included the following funds with overdrawn cash balances at December 31, 2015:

Fund	Amount Overdrawn
Tax Sale Redemption	\$ 15
16.588 STOP GRANT	19,370
16.575 Victim Assist	14,835

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. In an instance in which a unit receives a reimbursement grant, the unit must be claiming reimbursement in a timely manner. In this case, it would be possible for a fund to be overdrawn for a short period of time. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR
JOHNSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 7, 2017, with Pamela J. Burton, County Auditor; Amy Thompson, First Deputy County Auditor; Ronald H. West, Board of County Commissioners member; Rob Henderson, Vice President of the County Council; Barbara Davis, County Coordinator; and Kathleen Hash, County Attorney.

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COUNTY TREASURER
JOHNSON COUNTY

COUNTY TREASURER
JOHNSON COUNTY
FEDERAL FINDING

**FINDING 2015-003 - INTERNAL CONTROLS OVER FINANCIAL
TRANSACTIONS - COUNTY TREASURER**

Condition

There were deficiencies in the internal control system of the County Treasurer related to financial transactions as follows:

The County Treasurer had not separated incompatible activities, including segregation of duties, related to receipting and accounting for the financial activities of the County. One individual performed the final balance of the cash drawers each day, counted the money, generated the deposits, took the deposits to the bank, and posted the transaction. This individual also received and recorded some property tax and other collections, made adjustments within the property tax software, and was responsible for the County Treasurer's property tax settlement procedures.

The Bookkeeper was responsible for performing the monthly bank reconciliations without any review or oversight by someone else.

Criteria

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

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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 County Treasurer had not established a system of internal controls to ensure that the financial activity relating to cash and receipts was reported properly.

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected.

Views of Responsible Officials

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

Johnson County Treasurer



Michele Ann Graves
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Website: www.co.johnson.in.us

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-003

Fiscal year in which the finding initially occurred: 2014

Contact Person Responsible for Corrective Action: Michele Ann Graves

Contact Phone Number: (317)346-4340

Status of Audit Finding: Corrective efforts were put in place during April, 2017 and are ongoing pursuant to the Corrective Action Plan.



(Signature)

Treasurer

(Title)

5/4/2017

(Date)

COUNTY TREASURER
JOHNSON COUNTY
AUDIT RESULT AND COMMENT

DEPOSITS - FOOD AND BEVERAGE TAX

Receipts were deposited later than the next business day in 100 percent of receipts tested for the County Treasurer's Food and Beverage Tax. The delinquency of deposits ranged from three to eighteen days from when the taxes were remitted by the innkeeper until recorded. In addition, there was no indication of the composition of the funds received (cash, check, . . .), so it was not possible to determine if deposits were made in the same form as collections were received.

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . . Public funds deposited under this subsection shall be deposited in the same form in which they were received."

COUNTY TREASURER
JOHNSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 7, 2017, with Michele Ann Graves, County Treasurer; Pamela J. Burton, County Auditor; Amy Thompson, First Deputy County Auditor; Ronald H. West, Board of County Commissioners member; Rob Henderson, Vice President of the County Council; Barbara Davis, County Coordinator; and Kathleen Hash, County Attorney.

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CLERK OF THE CIRCUIT COURT
JOHNSON COUNTY

CLERK OF THE CIRCUIT COURT
JOHNSON COUNTY
FEDERAL FINDING

**FINDING 2015-004 - INTERNAL CONTROLS OVER FINANCIAL
TRANSACTIONS - CLERK OF THE CIRCUIT COURT**

Condition

There were deficiencies in the internal control system related to financial transactions of the Clerk of the Circuit Court (Clerk) as follows:

The Clerk had not separated incompatible activities, including segregation of duties, related to cash and investments, receipts, and disbursements. The bank account reconciliations were prepared by the Bookkeeper. The Bookkeeper also issued checks that have the Clerk's signature electronically included and then mailed the checks.

There was no evidence that the work was reviewed by someone other than the Bookkeeper.

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. . . ."

Cause

The Clerk had not established a system of internal controls to ensure that the financial activity related to cash and investments, receipts, and disbursements was reported properly.

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected.

Views of Responsible Officials

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



Sue Anne Misiniec

CLERK
JOHNSON CIRCUIT AND SUPERIOR COURTS

COURT HOUSE P.O. BOX 368 FRANKLIN, IN 46131

CLERK
(317) 346-4450
(317) 736-3749 FAX

VOTER REGISTRATION
(317) 346-4466

CORRECTIVE ACTION PLAN

FINDING 2015-004

Contact Person Responsible for Corrective Action: Sue Anne Misiniec, Clerk
Contact Phone Number: (317) 346-4450

Description of Corrective Action Plan:

1. To correct deficiencies in the internal control system of the Clerk's Office. Segregate duties and activities of the Clerk's staff as they relate to cash and investments, receipts and disbursements. Work related to bookkeeper(s), bank reconcilements, investments, receipts and disbursements will be reviewed by others.

Anticipated Completion Date: Thursday, June 1, 2017

Sue Anne Misiniec
(Signature)

Clerk of the Courts
(Title)

May 5, 2017
(Date)

CLERK OF THE CIRCUIT COURT
JOHNSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 1, 2017, with Sue Anne Misiniec, Clerk of the Circuit Court, and Trena McLaughlin, Chief Deputy Clerk.

The contents of this report were discussed on June 7, 2017, with Pamela J. Burton, County Auditor; Amy Thompson, First Deputy County Auditor; Ronald H. West, Board of County Commissioners member; Rob Henderson, Vice President of the County Council; Barbara Davis, County Coordinator; and Kathleen Hash, County Attorney.

COUNTY PROSECUTOR
JOHNSON COUNTY

COUNTY PROSECUTOR
JOHNSON COUNTY
FEDERAL FINDING

FINDING 2015-006 - INTERNAL CONTROL OVER CHILD SUPPORT ENFORCEMENT

Federal Agency: Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Year (or Other Identifying Number): 1504INCSES
Pass-Through Entity: Indiana Department of Child Services

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

Condition

The County had not established an effective internal control system over requirements relating to Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Performance, and Reporting.

Context

County Auditor:

Allowable Costs/Cost Principles:

A consultant prepared the Cost Allocation Plan for indirect costs charged to the program for the County. The County had not designed or implemented policies and procedures to ensure that the Cost Allocation Plan was properly prepared, included accurate information, and that allocated costs did not duplicate costs claimed for reimbursement on the Monthly Expense Claims.

County Prosecutor:

*Activities Allowed or Unallowed, Allowable Costs/Cost Principles,
Cash Management, Period of Performance, and Reporting:*

The office staff prepared the Monthly Expense Claims. There was no evidence that the claims were reviewed to ensure that all reported expenditures were for allowable activities and costs, paid prior to requesting reimbursement, incurred within the period of availability, and whether the amounts reported were accurate.

COUNTY PROSECUTOR
JOHNSON COUNTY
FEDERAL FINDING
(Continued)

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish internal controls could have enabled material noncompliance to go undetected which could have resulted in the loss of federal funds to the County.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

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

**OFFICE OF THE
PROSECUTING
ATTORNEY**



BRADLEY D. COOPER

**Johnson County
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**Joseph M. Villanueva
Chief Deputy**

**Daylon L. Welliver
Chief Trial Deputy**

David M. Abbott
Robert C. Seet
Andrew K. Foster
James Dunn
Jennifer M.K. Pinnick
Carrie Miles
Joseph Saylor
Megan Smither
Jennifer Maple
Court Deputies

**Ryan Bland
Sex Crimes Deputy**

**L. Alexander Hamner
Juvenile Deputy**

**Lori M. Prince
Child Support**

**Shaina Carmichael
Domestic Violence Deputy**

**Mat Taylor
City Court Deputy**

**Troy DeHart
Investigator**

Corrective Action Plan

May 4, 2017

FINDING 2015-006

Pass-through Entity: Indiana Department of Child Services

Responsible Party: Johnson County Prosecutor's Office

Office Coordinator: Ami Davis – 317-346-4537

Deputy Prosecutor: Lori Prince – 317-346-4581

Starting January 2017 we began to establish and maintain effective Internal Controls to provide reasonable assurance in compliance. We feel this will help avoid reporting errors and increase accuracy. Office Coordinator will continue to prepare reports and Deputy Prosecutor will review each claim and report. Corrective efforts are on-going pursuant to the Corrective Action Plan for 2017.

Anticipated Completion Date: 06/01/2017


Ami Davis – Office Coordinator


Lori Prince – Deputy Prosecutor

5-4-2017
Date

COUNTY PROSECUTOR
JOHNSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 1, 2017, with Lori Prince, Deputy County Prosecutor, and Ami Davis, Office Coordinator.

The contents of this report were discussed on June 7, 2017, with Pamela J. Burton, County Auditor; Amy Thompson, First Deputy County Auditor; Ronald H. West, Board of County Commissioners member; Rob Henderson, Vice President of the County Council; Barbara Davis, County Coordinator; and Kathleen Hash, County Attorney.

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COUNTY HIGHWAY
JOHNSON COUNTY

COUNTY HIGHWAY
JOHNSON COUNTY
FEDERAL FINDINGS

***FINDING 2015-007 - INTERNAL CONTROL OVER DISASTER GRANTS -
PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)***

Federal Agency: Department of Homeland Security
Federal Program: Disaster Grants - Public Assistance (Presidentially Declared Disasters)
CFDA Number: 97.036
Federal Award Number and Year (or Other Identifying Number): 4173-DR-IN
Pass-Through Entity: Indiana Department of Homeland Security

Condition

The County had not established an effective internal control system over requirements related to Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, Earmarking; and Special Tests and Provisions - Project Accounting as described in the *Context*.

Context

There was no separation of funds for federal grant activity. The grant cash advances and final reimbursement as well as the grant expenditures were posted to the Cumulative Bridge fund.

The grant was administered by one County employee.

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 segregated key functions.

Effect

The failure to establish internal controls could have enabled material noncompliance to go undetected which could have resulted in the loss of federal funds to the County.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements listed above.

COUNTY HIGHWAY
JOHNSON COUNTY
FEDERAL FINDINGS
(Continued)

Views of Responsible Officials

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

FINDING 2015-008 - CASH MANAGEMENT

Federal Agency: Department of Homeland Security
Federal Program: Disaster Grants - Public Assistance (Presidentially Declared Disasters)
CFDA Number: 97.036
Federal Award Number and Year (or Other Identifying Number): 4173-DR-IN
Pass-Through Entity: Indiana Department of Homeland Security

Condition

The County had not established an effective internal control system over requirements relating to Cash Management.

The County Highway Director accumulated the engineering invoices for Project #1978 and #1942 on a spreadsheet. One invoice in the amount of \$3,720 was recorded as \$37,200. As a result, the County submitted an incorrect amount for engineering costs for these projects. Based on the reimbursement rate of 75 percent, the County received reimbursement of \$27,900 instead of \$2,790. The County was over reimbursed by \$25,110.

Context

The County had not designed or implemented adequate policies and procedures to ensure that financial activities related to the grant projects were properly documented, paperwork was retained, and the project activity was reconciled to the County Auditor's financial ledger. An oversight, review, or approval process had not been established.

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. . . ."

31 CFR 205.12(5) states: "Reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that State has already paid out the funds for Federal assistance program purposes."

Cause

Management had not developed a system of internal controls that segregated key functions.

COUNTY HIGHWAY
JOHNSON COUNTY
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish internal controls enabled material noncompliance to go undetected which could have resulted in the loss of federal funds to the County.

Questioned Costs

Questioned costs in the amount of \$25,110 were identified as described in the *Condition*.

Recommendation

We recommended that the County's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

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

FINDING 2015-009 - REPORTING

Federal Agency: Department of Homeland Security
Federal Program: Disaster Grants - Public Assistance (Presidentially Declared Disasters)
CFDA Number: 97.036
Federal Award Number and Year (or Other Identifying Number): 4173-DR-IN
Pass-Through Entity: Indiana Department of Homeland Security

Condition

The County had not established an effective internal control system over the requirements relating to Reporting.

Context

Quarterly financial reports for the audit period were not presented for audit.

The County had not designed or implemented adequate policies and procedures to ensure that quarterly financial reports were prepared and copies were retained and available for audit. An oversight, review, or approval process had not been established.

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. . . ."

COUNTY HIGHWAY
JOHNSON COUNTY
FEDERAL FINDINGS
(Continued)

2 CFR 215.21(b) states in part:

"Recipients' financial management systems shall provide for the following.

- (1) Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements set forth in §215.52. . . .
- (2) Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest. . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish effective internal controls that would have ensured that documentation was maintained and available for audit prevented the determination of the County's compliance with the grant agreement and the Reporting compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls and implement procedures to ensure that quarterly financial reports were maintained and were available for audit.

Views of Responsible Officials

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

FINDING 2015-010 - PROCUREMENT AND SUSPENSION AND DEBARMENT

Federal Agency: Department of Homeland Security
Federal Program: Disaster Grants - Public Assistance (Presidentially Declared Disasters)
CFDA Number: 97.036
Federal Award Number and Year (or Other Identifying Number): 4173-DR-IN
Pass-Through Entity: Indiana Department of Homeland Security

Condition

The County had not established an effective internal control system over requirements relating to Procurement and Suspension and Debarment.

COUNTY HIGHWAY
JOHNSON COUNTY
FEDERAL FINDINGS
(Continued)

Written policies and procedures outlining responsibilities and duties for procurement had not been established identifying Procurement and Suspension and Debarment requirements in order to ensure staff was knowledgeable about the grant requirements and a process is in place to ensure adherence to the requirements. The County did not have a written code of ethical conduct. Additionally, the County did not verify that vendors were not suspended or debarred from participation in federal assistance programs.

Context

The County did not have a formal written policy outlining their procurement policies. The two engineering firms used for Projects #1942 and #1987, and Project #1914 tested did not have any evidence that the County verified compliance with Suspension and Debarment. The County amended existing contracts with these engineering firms to add these projects. The construction and engineering contracts did not contain required federal contract provisions.

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. . . ."

44 CFR 13.36(b) states in part:

"Procurement standards:

- (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section.
- (2) Grantees and subgrantees will maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders. . . .
- (3) Grantees and subgrantees will maintain a written code of standards of conduct governing the performance of their employees engaged in the award and administration of contracts. . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

COUNTY HIGHWAY
JOHNSON COUNTY
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected which could have resulted in the loss of federal funds to the County.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

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

Johnson County Highway Department

1051 Hospital Road | Franklin, Indiana 46131 | Phone: (317) 346-4630 | Fax: (317) 738-5378

Lucas M. Mastin
Director

Neil B. VanTrees, P.E.
Highway Director

CORRECTIVE ACTION PLAN

FINDING 2015-007

Contact Person Responsible for Corrective Action: Lucas Mastin, Highway Director
Contact Phone Number: (317) 346-4641

Views of Responsible Official:
We concur with the finding.

Description of Corrective Action Plan:

At the time of this finding, the grant period has ended and corrective action for this particular grant cannot be taken. The County will utilize the information from this finding to establish internal controls over Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort and Earmarking; and Special Test and Provision – Project Accounting. The Highway Department will provide the Auditor's Office with federal and state grant information as prescribed by the Auditor in order to ensure proper tracking of these grant funds, and fund segregation if necessary as determined by the Auditor. Internally, the Highway Department will develop a grant fund tracking procedure that corrects the deficiencies in this finding and requires secondary review of grant cash advance and reimbursement requests, to be performed by either the Highway Director or Highway Engineer.

Anticipated Completion Date:
December 31, 2017

FINDING 2015-008

Contact Person Responsible for Corrective Action: Lucas Mastin, Highway Director
Contact Phone Number: (317) 346-4641

Views of Responsible Official:
We concur with the finding.

Description of Corrective Action Plan:

At the time of this finding, the grant period has ended and corrective action for this particular grant cannot be taken. The County will utilize the information from this finding to establish internal controls over Cash Management. The Highway Department will provide the Auditor's Office with federal and state grant information as prescribed by the Auditor in order to ensure proper tracking of these grant funds, and fund segregation if necessary as determined by the Auditor. Internally, the Highway Department will develop a grant fund tracking procedure that corrects the deficiency in this finding and requires secondary review of grant cash advance and reimbursement requests, to be performed by either the Highway Director or Highway Engineer.

Anticipated Completion Date:
December 31, 2017

FINDING 2015-009

Contact Person Responsible for Corrective Action: Lucas Mastin, Highway Director
Contact Phone Number: (317) 346-4641

Views of Responsible Official:
We concur with the finding.

Description of Corrective Action Plan:
At the time of this finding, the grant period has ended and corrective action for this particular grant cannot be taken. The county will utilize the information from this finding to establish internal controls over Reporting. Periodic reports will be submitted to the grantor as required and will be retained in a manner that will allow more timely access to these records.

Anticipated Completion Date:
December 31, 2017

FINDING 2015-010

Contact Person Responsible for Corrective Action: Lucas Mastin, Highway Director
Contact Phone Number: (317) 346-4641

Views of Responsible Official:
We concur with the finding.

Description of Corrective Action Plan:
At the time of this finding, the grant period has ended and corrective action for this particular grant cannot be taken. The County will utilize the information from this finding to establish internal controls over Procurement and Suspension and Debarment, including:

- 1) Creation of a local procurement policy that ensures consistency with IC 5-16-11.1, Procurement of Services of Architects, Engineers, and Land Surveyors, and 2 CFR 200.318 when applicable;
- 2) Ensure that emergency declarations related to public works projects are properly documented as required by IC 36-1-12-9 and consistent with FEMA requirements when applicable;
- 3) Develop contract language consistent with Suspension and Debarment requirements to be used in local contracts where federal funds are involved; and
- 4) Adopt ethical conduct requirements related to the award of contracts currently being developed by the County's legal counsel.

Anticipated Completion Date:
This will be an on-going process as these policies are not yet finished.

COUNTY HIGHWAY
JOHNSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 7, 2017, with Pamela J. Burton, County Auditor; Amy Thompson, First Deputy County Auditor; Ronald H. West, Board of County Commissioners member; Rob Henderson, Vice President of the County Council; Barbara Davis, County Coordinator; and Kathleen Hash, County Attorney.

COUNTY SHERIFF
JOHNSON COUNTY

COUNTY SHERIFF
JOHNSON COUNTY
FEDERAL FINDING

FINDING 2015-005 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS - COUNTY SHERIFF

Condition

There were deficiencies in the internal control system related to financial transactions of the County Sheriff as follows:

Internal controls over the disbursing, recording, and accounting for the financial activities were insufficient. The County Sheriff had not separated incompatible activities, including segregation of duties, related to financial transactions.

The Bookkeeper wrote and posted the checks as well as prepared the bank reconciliation. Disbursements related to the County Sheriff's sales were based on e-mails from the County Sheriff's employee who was responsible for the County Sheriff's sales. The County Sheriff's Bookkeeper posted disbursements dated the subsequent month to their current month's Cash Book.

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. . . ."

Cause

Management of the County Sheriff had not established a system of internal control to ensure the financial activity of the County Sheriff was reported properly.

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected.

Views of Responsible Officials

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



JOHNSON COUNTY SHERIFF'S OFFICE

1091 Hospital Road - Post Office Box 609 - Franklin, Indiana 46131

Doug Cox, Sheriff

Randy Werden, Colonel

2015 Corrective Action Plan

May 8, 2017

Sheriff Doug Cox

Johnson County Sheriff's Office

1091 Hospital Road

Franklin, Indiana 46131

(317) 346-4601

The Johnson County Sheriff's Office is in receipt of the audit conducted by the State Board of Accounts (2015-005).

We intend to improve on our bookkeeping by making the following changes in internal controls:

- a. We met as a group on February 21st 2017. Anyone who handles money for the Johnson County Sheriff's Office was present. We discussed the above issues and assigned each employee with an overseer. Those employees will monitor the records of their co—worker and will sign off on a new document that we are creating for the overseers.
- b. We will communicate with our software vendor to see if changes can be made to correct the dates, in which the disbursements are posted.
- c. We are looking into more secure methods of securing cash handled by each of our employees. We are looking at work area drop boxes instead of our current way of doing business.
- d. The Bookkeeper and Sheriff Sale Clerk will be creating a working document between each other that will meet the standards of the State Board of Accounts.

Respectfully,

A handwritten signature in black ink, appearing to read "Doug Cox".

Sheriff Doug Cox

Johnson County

COUNTY SHERIFF
JOHNSON COUNTY
AUDIT RESULTS AND COMMENTS

COUNTY SHERIFF - CASH BONDS

The County Sheriff collected cash bonds, but did not remit the cash bonds to the Clerk of the Circuit Court by the following business day. The cash bonds were held until the County Sheriff's staff was notified of charges filed in either a city court, or county court, or for up to two years prior to paying out the cash bonds to the original remitter.

This comment appeared in the prior Report B48262.

Indiana Code 35-33-8-3.2(e) states: "With the approval of the clerk of the court, the county sheriff may collect the bail posted under this section. The county sheriff shall remit the bail to the clerk of the court by the following business day and remit monthly the five dollar (\$5) special death benefit fee to the county auditor."

INTERNAL CONTROLS

Internal controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient:

There was no bank reconciliation prepared for the Commissary fund; however, two County Sheriff's Department staff did review and initial the account activity summary.

The Inmate Trust fund balance was not reconciled with the bank.

The Inmate Trust, Property Room, Special Fund, and Sheriff's Reserves funds did not have evidence that someone was reviewing the bank reconciliations or the ledgers.

This comment appeared in the prior Report B48262.

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. . . ."

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
JOHNSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 1, 2017, with Doug F. Cox, County Sheriff, and Ronda J. Frazier, Bookkeeper.

The contents of this report were discussed on June 7, 2017, with Pamela J. Burton, County Auditor; Amy Thompson, First Deputy County Auditor; Ronald H. West, Board of County Commissioners member; Rob Henderson, Vice President of the County Council; Barbara Davis, County Coordinator; and Kathleen Hash, County Attorney.

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BOARD OF COUNTY COMMISSIONERS
JOHNSON COUNTY

BOARD OF COUNTY COMMISSIONERS
JOHNSON COUNTY
AUDIT RESULT AND COMMENT

CAPITAL ASSETS

The County had not properly maintained a complete detailed listing of all capital assets. Capital asset records that were accounted for on a prior computer system had not been retained to support the beginning balances of the current asset records. There was no evidence of a physical inventory within the last two years.

This comment appeared in the prior Report B48262.

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

BOARD OF COUNTY COMMISSIONERS
JOHNSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 7, 2017, with Pamela J. Burton, County Auditor; Amy Thompson, First Deputy County Auditor; Ronald H. West, Board of County Commissioners member; Rob Henderson, Vice President of the County Council; Barbara Davis, County Coordinator; and Kathleen Hash, County Attorney.