

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BROWN COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
08/28/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Glenda K. Stogsdill	01-01-11 to 12-31-14
	Beth A. Mulry	01-01-15 to 12-31-18
County Treasurer	Mary E. Smith	01-01-13 to 12-31-20
Clerk of the Circuit Court	Beth A. Mulry	01-01-11 to 12-31-14
	Brenda Woods	01-01-15 to 12-31-18
County Sheriff	Rick D. Followell	01-01-11 to 12-31-14
	Scott D. Southerland	01-01-15 to 12-31-18
County Recorder	Sandy S. Cain	01-01-13 to 12-31-16
	Judy Swift-Powdrill	01-01-17 to 12-31-20
County Judge	Judith A. Stewart	01-01-13 to 12-31-18
President of the Board of County Commissioners	John Kennard	01-01-14 to 12-31-14
	David Anderson	01-01-15 to 12-31-17
President of the County Council	David Critser	01-01-14 to 12-31-15
	David Redding	01-01-16 to 12-31-16
	David Critser	01-01-17 to 12-31-17



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TO: THE OFFICIALS OF BROWN COUNTY, INDIANA

This report is supplemental to our audit report of Brown County (County), for the period from January 1, 2014 to December 31, 2014. 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

June 29, 2017

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COUNTY AUDITOR
BROWN COUNTY

COUNTY AUDITOR
BROWN COUNTY
FEDERAL FINDINGS

FINDING 2014-001

Subject: Internal Controls over Financial Transactions and Reporting - County Auditor
Audit Finding: Material Weakness

Condition

There were deficiencies in the internal control system of the County related to financial transactions and reporting. The County had not separated incompatible activities related to financial transactions and reporting. The County Auditor entered the financial information into the Indiana Gateway for Government Units financial reporting system (Gateway), which is the source of the Annual Financial Report (AFR) and the financial statement. The County did not have effective controls to verify the accuracy of the financial information entered prior to submission.

Financial transactions for 18 funds were omitted from the AFR and the financial statement. As a result, total receipts were understated by \$8,742,412, total disbursements were understated by \$8,323,563, and the ending balance was understated by \$212,776. Audit adjustments were proposed, accepted by the County, and made to the AFR and the financial statement.

A posting error was noted in the Settlement fund on December 19, 2014. A receipt was posted twice for \$820,082 and went undetected until July 2015. Audit adjustments were proposed and accepted by the County.

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 5-11-1-4(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."

COUNTY AUDITOR
BROWN COUNTY
FEDERAL FINDINGS
(Continued)

Cause

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

Effect

The failure to establish controls 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 2014-003

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Finding: Material Weakness

Condition

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

The County prepared and submitted the SEFA without effective controls to ensure its accuracy before submission.

During the audit of the SEFA, there were the following errors:

1. Federal expenditures for five programs were overstated.
2. Federal expenditures for two programs were understated.
3. Twelve federal programs were incorrectly omitted.
4. One grant did not correctly identify the pass-through entity.
5. Twelve grants were incorrectly listed as pass-through to subrecipient.
6. One grant was listed as a direct grant and it was a state grant.
7. Total federal expenditures reported on the SEFA was understated by \$530,422.

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:

COUNTY AUDITOR
BROWN COUNTY
FEDERAL FINDINGS
(Continued)

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § _____.310. . . ."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. 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 shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual 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 shall 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.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

COUNTY AUDITOR
BROWN COUNTY
FEDERAL FINDINGS
(Continued)

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 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.

Beth A. Mulry
Brown County Auditor

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Fax: (812) 988-5487



FINDING 2014-001

Contact Person Responsible for Corrective Action: Beth Mulry

Contact Phone Number: 812-988-5485

Beth Mulry took the office of Brown County Auditor on January 1, 2015. Glenda Stogsdill was the elected County Auditor in 2014 and was the individual responsible for the operations of the office in 2014. The 2014 Annual Financial Report was filed and certified by Auditor Mulry in the first few months of office. The accuracy of the 2014 financial records of the Auditor was in question as a result of substantial imbalances between the records of the Treasurer and County Auditor.

Auditor Mulry concurs with Finding 2014-001. The Auditor has reviewed the missing funds matter and determined that the set up of some funds in the computerized financial software, Harris, used by the county did not include SBOA fund codes. This resulted in their being omitted from the upload created for submission to Gateway. Auditor Mulry acknowledges that the review of the annual report prior to filing should have included a process to ensure that the upload file contained all funds prior to final submission on Gateway. All other deficiencies are considered an inherited situation and result from the actions of the prior administration.

Upon taking office in 2015, Auditor Mulry began work to implement cross training and assess the knowledge of the staff. Training, cross training, internal controls and office oversight has been a fundamental objective since 2015. There was no daily, weekly or monthly reconciliation process in place between the Auditor and Treasurer when Auditor Mulry took office. Many matters commented on have been corrected or are in the process of being corrected. Deficiencies are addressed and corrected when discovered.

Description of Corrective Action Plan:

1. Funds will be reviewed and modified as needed to ensure that SBOA fund codes have been associated with all funds.
2. Future annual reports will be reviewed for inclusion of all funds prior to submission.

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3. The Auditor and Treasurer have implemented a daily reconciliation process that will help to identify discrepancies in a timely fashion.
4. The Auditor will continue to review processes for internal control compliance as set out in the Uniform Internal Control Standards for Indiana Political Subdivision.
5. Auditor will review the 2015 and 2016 Annual Financial Report for omission of funds and other reasonably discoverable errors or omissions.

Anticipated Completion Date: Review of 2015 and 2016 Annual Financial Reports – December 31, 2017. All other actions are of an ongoing nature with no completion attributed.

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FINDING 2014-003

Contact Person Responsible for Corrective Action: Beth Mulry and other unknown persons

Contact Phone Number: 812-988-5485 Auditor Mulry

Beth Mulry took the office of Brown County Auditor on January 1, 2015. Glenda Stogsdill was the elected County Auditor in 2014 and was the individual responsible for the operations of the office in 2014. The 2014 Schedule of Expenditures of Federal Awards (SEFA) was filed and certified by the County Auditor in the first few months of Auditor Mulry's term of office. The accuracy of the 2014 financial records of the Auditor was in question as a result of substantial imbalances between the records of the Treasurer and County Auditor.

In 2014, Brown County Government had assigned the duties of grant administration to the County Administrator employed by the County Commissioners. In 2015, the grant files and records of the County Auditor were disorganized, lacking essential information and in some case unlocatable. The position of County Administrator was eliminated in 2015 at the request of the County Commissioners. The official responsibility of grant administration has not been reassigned. The County Auditor has been acting as a quasi-administrator since the elimination of the County Administrator. In that role, Auditor Mulry is attempting to locate necessary records, update and create grant files, review and approve financial reports that are submitted for review, monitor grant fund balances along with other administrative actions.

Auditor Mulry concurs with Finding 2014-003. The Auditor has reviewed the 2014 SEFA and determined that a lack of records, training and other information contributed to some of the deficiencies in the filing.

Description of Corrective Action Plan:

1. Auditor Mulry suggests that the County Council reassign the responsibility of grant administration.

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2. The Grant Administrator should create a form for use throughout the county that collects the necessary information to determine if a grant is required for reporting on the SEFA and to capture all necessary information.
 - a. If the County Auditor is not the Grant Administrator, that form must be provided to the Auditor if the grant requires reporting on the SEFA.
 - b. For immediate use, County Auditor will create a basic form that collects the data necessary for SEFA completion.
3. The County Auditor and/or her deputies will look for training opportunities on federal grant SEFA reporting requirements and fiscal administration.
4. The County Auditor and her deputies will continue to strive for accuracy in the financial transaction processing to reduce the number of errors that require correction or go unnoticed. Internal controls and quality assurance will continue to be reviewed for possible improvement.

Anticipated Completion Date:

1. Reassignment of Grant Administrator responsibilities: Unknown at the discretion of County Council.
2. Training for County Auditor and selected deputies: December 31, 2017 if available. Ongoing training as attendance is possible.
3. Auditor Form Creation: November 30, 2017

COUNTY AUDITOR
BROWN COUNTY
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The financial statements presented in this report included the following funds with overdrawn cash balances at December 31, 2014:

Fund	Amount Overdrawn
Community Corrections	\$ 15,847
Payroll Clearing	26,153
Sheriff DNR Distribution	2,928
Victim Assist. Prog. Fed	76,905
Public Defender Board	194,278
Cities Readiness VI	502
Jackson Township Fire	1,040
Cities Readiness VII	751
Helmsburg Br.Co. Water Grant	375
E-911 Land Line	699

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 governmental unit. In an instance in which a unit receives a reimbursement grant, the unit must be claiming reimbursement in a timely manner. In this instance, 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)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations for 2014:

Fund	Excess Amount Expended
General	\$ 303,929
Motor Vehicle Highway	191,978
Cumulative Bridge	90,764
Health	64,919
Jail Lease Rental	500

A similar comment was in the prior Report B45078.

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."

COUNTY AUDITOR
BROWN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSETS

The County has not properly maintained a complete inventory of capital assets owned. They have a detail of capital assets, but it does not agree with the capital assets reported in the Annual Financial Report. Assets purchased with federal funds were not included.

A similar comment was in the prior Report B45078.

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)

NONCOMPLIANCE WITH PAYROLL REQUIREMENTS

The following deficiencies were observed:

1. A leave or overtime policy was presented for audit, but was not being followed by all departments. Timesheets are completed weekly by each employee and signed for approval by their department head or supervisor. They are submitted to the County Auditor's office for payment. No additional review is made by anyone of how the overtime, flex time, compensatory time, vacation, or sick leave is accrued or taken. From the review of the payroll claims, they are not being reported the same in each department. Several errors were noted in the recording of flex and compensatory time resulting in payment for hours accrued in error.
2. Employees were paid for accrued vacation time, which is contrary to the policy on hand.
3. Prescribed Form 99A Employee Service Record is not being maintained showing when vacation, sick, and personnel leave is earned and used.

A similar comment was in the prior Report B45078.

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

Each unit must adopt a written policy regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated labor contracts approved by the governing body would be considered as written policy. The policy must conform to the requirements of all state and federal regulatory agencies. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

Each unit is responsible for complying with the ordinances, resolutions and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR
BROWN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

EXCISE TAX RECONCILIATION WORKSHEET

The County Auditor's and County Treasurer's excise tax reconciliation worksheet filed with the Auditor of State's office for December 2014 contained errors. It reported an unidentified balance of excise of \$542,772. The County has not balanced the excise tax fund for years.

A similar comment was in the prior Report B45078.

At the time of each semiannual tax settlement the county treasurer shall report such tax collections, together with the auto rental excise tax and aircraft license excise tax collections discussed in this section, on County Form No. 49TC, County Treasurer's Certificate of Tax Collections, and the total shown by the auditor's records shall be verified with the treasurer's certificate before distribution is made. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 10)

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

CONDITION OF RECORDS

The County Auditor was not in compliance with the following:

1. The County did not use Fund 6000 for their Settlement fund as required.
2. The Settlement fund had a balance before and after settlement of \$7,547. This is unidentified from prior years.
3. The CAGIT Fund 7311 had a balance of \$337,372 at December 31, 2014, and the CEDIT Fund 7312 had a balance of \$812,630 at December 31, 2014. These funds should have a zero balance.

Fund 6000, Settlement fund, is used to quietus property taxes and distributes those taxes to other governments at each property tax settlement. The CAGIT and CEDIT funds are used to account for the deposit and distribution of these local option income taxes to the County fund and other local government funds. These funds should not have a beginning or ending balance and the existence of such a balance indicates that not all taxes received were distributed properly.

A similar comment was in the prior Report B45078.

Indiana Code 6-3.5-7-16.5(a) states: "The county auditor shall timely distribute the certified distribution received under section 12 of this chapter to each city and town that is a recipient of a certified distribution."

COUNTY AUDITOR
BROWN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 6-3.5-1.1-11.5 states:

"(a) The county auditor shall timely distribute the part of the certified distribution received under section 10 of this chapter that constitutes property tax replacement credits to each civil taxing unit and school corporation that is a recipient of property tax replacement credits as provided by sections 12, 13, and 14 of this chapter.

(b) The county auditor shall timely distribute the part of a certified distribution received under section 10 of this chapter that constitutes certified shares to each civil taxing unit that is a recipient of certified shares as provided by section 15 of this chapter.

(c) A distribution is considered to be timely made if the distribution is made not later than ten (10) working days after the date the county treasurer receives the county's certified distribution under section 10 of this chapter."

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

All counties must implement the use of the new chart of accounts by January 1, 2012. (The County Bulletin and Uniform Compliance Guidelines, Vol. No. 376, page 3)

The deadline has been extended to January 1, 2013. (The County Bulletin and Uniform Compliance Guidelines, Vol. No. 381, page 11 Q&A # 5)

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Brown County Auditor

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OFFICIAL RESPONSE TO AUDIT RESULTS AND COMMENTS - FINAL

June 29, 2017

Beth Mulry took the office of Brown County Auditor on January 1, 2015. Glenda Stogsdill was the elected County Auditor in 2014 and was the individual responsible for the operations of the office in 2014. On January 1, 2015 the accuracy of the 2014 financial records of the county were in question as a result of substantial imbalances between the records of the Treasurer and Auditor along with factors.

As a result of the combined efforts of the County Auditor, County Treasurer and their deputies substantial improvements have occurred in 2015, 2016 and 2017. The excise reconciliation imbalance between the Auditor and Treasurer has been thoroughly researched and resolved. The Auditor and Treasurer continue to work together to maintain and improve the finances of the county.

The payroll deputy now performs a cursory review of time cards for policy compliance, to the best of our understanding of the current policies. We do have some outstanding requests to the County Commissioners for guidance on the implementation of certain policy(s). To date these request for guidance have not be answered.

As Auditor, I value the integrity of the the records of my office and internal controls. We practice a model of continued improvement. All deficiencies identified will be thoroughly reviewed for improvements and correction.

Beth Mulry,
County Auditor

COUNTY AUDITOR
BROWN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 29, 2017, with Beth A. Mulry, County Auditor; Glenda K. Stogsdill, former County Auditor; David Critser, President of the County Council; Diana Biddle, County Commissioner; Mary E. Smith, County Treasurer; and Melissa Stinson, Director of Human Resource.

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COUNTY TREASURER
BROWN COUNTY

COUNTY TREASURER
BROWN COUNTY
FEDERAL FINDING

FINDING 2014-002

Subject: Internal Controls over Financial Transactions and Recording - County Treasurer
Audit Finding: Material Weakness

Condition

There were several deficiencies in the internal control system of the County Treasurer related to financial transactions and reporting. The County Treasurer did not have effective controls to verify the accuracy of the cash reconcilements.

There were the following deficiencies:

1. Documentation was not presented indicating review and approval of the monthly reconciliations of the bank accounts by someone other than the person preparing them.
2. Reconcilements of the bank account balances to the balances reported in the County Treasurer's Daily Balance of Cash and Depositories (Cash Book) were not properly performed for 2014. Details of the reconciling items were not maintained and the monthly reconcilements presented for audit by the County Treasurer did not include a total of all banks to all funds reconciliation.
3. The County Treasurer's bank accounts did not reconcile with the amounts reported in the County Treasurer's Cash Book by \$8,402 as of December 31, 2014.
4. The amount recorded on the Cash Book for some bank account balances that were designated for specific funds, were not reflective of the amounts recorded on the funds ledger for those specific funds. Many old bank accounts remained on the Cash Book that were designated for specific funds that were no longer active.
5. A reconciliation of the monthly comparison report of ledger fund balances was not being done between the County Treasurer and County Auditor. At December 31, 2014, the funds ledger cash reported in the Cash Book had an unexplained variance of \$195,322 from the County Auditor's funds ledger after the correction of an \$820,082 ledger posting error. The variance continues to change monthly due to posting errors between the County Auditor's ledger and the County Treasurer'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:

COUNTY TREASURER
BROWN COUNTY
FEDERAL FINDING
(Continued)

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

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)

Cause

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

Effect

The failure to establish controls 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.

Mary Smith
Treasurer

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Brown County Treasurer
P.O. Box 98
Nashville, In 47448
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CORRECTIVE ACTION PLAN

FINDING 2014-002

Contact Person Responsible for Corrective Action: Mary E. Smith
Contact Phone Number: 812-988-5458

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

My responses to the discrepancies are in bold type.

1. Documentation was not presented indicating review and approval of the monthly reconciliations of the bank accounts by someone other than the person preparing them.
2. **–our bank accounts are currently being processed and checked by more than one person. This was put in place after calendar year 2014**
3. Reconcilements of the bank account balances to the balances reported in the County Treasurer's Daily Balance of Cash and Depositories (cash book) were not properly performed for 2014. Details of the reconciling items were not maintained and the monthly reconcilements presented for audit by the County Treasurer did not include a total of all banks to all funds reconcilement.
–all issues relating to bank account reconcilement with cashbook and Harris program have been handled and everything is in balance starting in 2016
4. The County Treasurer's bank accounts did not reconcile with the amounts reported in the Treasurer's cash book by \$8,402 as of December 31, 2014.
–this issue was handled in 2016
5. The amount recorded on the cash book for some bank account balances that were designated for specific funds, are not reflective of the amounts recorded on the funds ledger for those specific funds. Many old bank accounts remained on the cash book that was designated for specific funds that are no longer active.

- There is discussion with other county treasurer's as to whether or not this is actually an issue. Many counties only operate out of one main checking account which all transactions flow. Some of this issue just pertains to wording on bank account sub-headings. We are looking into this matter and hope to have a resolution by the end of August after the Treasurer's Conference.
6. A reconciliation of the monthly comparison report of ledger fund balances is not being done between the County Treasurer and County Auditor. At December 31, 2014, the funds ledger cash reported in the cash book had an unexplained variance of \$195,322 from the Auditor's funds ledger after the correction of an \$820,082 ledger posting error. The variance continues to change monthly due to posting errors between the Auditor's ledger and the Treasurer's Cash Book.
-Starting in 2016 treasurer and auditor balance in the funds ledger except for a total of \$7,477.47 in 2 funds. This amount has held steady for almost a year now. Also the cashbook to funds ledger line balance in Harris program balances as of December 2016.

Anticipated Completion Date: Most items have been dealt with in 2016. Number 5 will hopefully be corrected by August/September 2017

Mary Smith
(Signature)

Treasurer
(Title)

June 21, 2017
(Date)

COUNTY TREASURER
BROWN COUNTY
AUDIT RESULT AND COMMENT

COUNTY TREASURER EXCISE TAX

The following deficiencies were observed:

1. The excise line on the County Treasurer's Daily Record of Cash and Depositories includes excise surtax and wheel tax.
2. Surtax and wheel tax are posted to the County Treasurer's Daily Record of Cash and Depositories and then distributed. They were not distributed monthly.
3. The County Auditor's and County Treasurer's excise tax reconciliation worksheet filed with the Auditor of State's office for December 2014 contained errors. It reported an unidentified balance of excise of \$542,772. The County has not balanced the excise tax fund for years.

A similar comment was in the prior Report B45078.

Indiana Code 5-13-5-1(a) states:

"Every public officer who receives or distributes public funds shall:

- (1) keep a cashbook into which the public officer shall enter daily, by item, all receipts of public funds; and
- (2) balance the cashbook daily to show funds on hand at the close of each day."

Indiana Code 6-3.5-4-13 states in part:

"(a) In the case of a county that does not contain a consolidated city of the first class, the county treasurer shall deposit the surtax revenues in a fund to be known as the ' _____ County Surtax Fund.'

(b) Before the twentieth day of each month, the county auditor shall allocate the money deposited in the county surtax fund during that month among the county and the cities and the towns in the county. The county auditor shall allocate the money to counties, cities, and towns under IC 8-14-2-4(c)(1) through IC 8-14-2-4(c)(3).

(c) Before the twenty-fifth day of each month, the county treasurer shall distribute to the county and the cities and towns in the county the money deposited in the county surtax fund during that month. The county treasurer shall base the distribution on allocations made by the county auditor for that month under subsection (b). . . ."

COUNTY TREASURER
BROWN COUNTY
AUDIT RESULT AND COMMENT
(Continued)

Indiana Code 6-3.5-5-15 states:

"(a) In the case of a county that does not contain a consolidated city, the county treasurer shall deposit the wheel tax revenues in a fund to be known as the 'County Wheel Tax Fund'.

(b) Before the twentieth day of each month, the county auditor shall allocate the money deposited in the county wheel tax fund during that month among the county and the cities and the towns in the county. The county auditor shall allocate the money to counties, cities, and towns under IC 8-14-2-4(c)(1) through IC 8-14-2-4(c)(3).

(c) Before the twenty-fifth day of each month, the county treasurer shall distribute to the county and the cities and towns in the county the money deposited in the county wheel tax fund during that month. The county treasurer shall base the distribution on allocations made by the county auditor for that month under subsection (b). . . ."

At the time of each semiannual tax settlement the county treasurer shall report such tax collections, together with the auto rental excise tax and aircraft license excise tax collections discussed in this section, on County Form No. 49TC, County Treasurer's Certificate of Tax Collections, and the total shown by the auditor's records shall be verified with the treasurer's certificate before distribution is made. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 10)

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

COUNTY TREASURER
BROWN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 29, 2017, with Mary E. Smith, County Treasurer; Beth A. Mulry, County Auditor; David Critser, President of the County Council; and Diana Biddle, County Commissioner.

BOARD OF COUNTY COMMISSIONERS
BROWN COUNTY

BOARD OF COUNTY COMMISSIONERS
BROWN COUNTY
FEDERAL FINDINGS

FINDING 2014-004

Subject: Community Development Block Grants/State's program
and Non-Entitlement Grants in Hawaii - Davis-Bacon Act
Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/State's program
and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): A192-13-FF-12-101

Pass-Through Entity: Indiana Office of Community and Rural Affairs

Compliance Requirement: Davis-Bacon Act

Audit Finding: Material Weakness

Condition

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the Davis-Bacon Act requirements.

The County hired a Grant Administrator to assist in overseeing the labor standards required by the Davis-Bacon Act compliance requirement. Certified payrolls were submitted by the contractors/ subcontractors to the Grant Administrator who would then check to determine if prevailing wages were being properly paid. The County did not have procedures in place ensure the work being performed by the Grant Administrator was in compliance with the Davis-Bacon Act.

Context

There was a lack of internal controls for the entire audit period.

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

BOARD OF COUNTY COMMISSIONERS
BROWN COUNTY
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish and implement controls related to the grant agreement and the Davis-Bacon Act requirements.

Views of Responsible Officials

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

FINDING 2014-005

Subject: Edward Byrne Memorial Justice Assistance Grant Program -
Equipment and Real Property Management
Federal Agency: Department of Justice
Federal Program: Edward Byrne Memorial Justice Assistance Grant Program
CFDA Number: 16.738
Federal Award Number and Year (or Other Identifying Number): D3-14-8673
Pass-Through Entity: Indiana Criminal Justice Institute
Compliance Requirement: Equipment and Real Property Management
Audit Findings: Material Weakness, Other Matter/Qualified Opinion

Condition

Management of the County had not established an effective internal control system over the requirements relating to Equipment and Real Property Management.

County officials did not have controls in place to ensure that capital assets purchased with federal funds were properly accounted for. Capital assets purchased with grant funds through the County Sheriff's office were not included on the County's capital assets records.

Context

During the audit period, 100 percent of the equipment purchased with the grant funds through the County Sheriff's office was not included on the County's capital asset records.

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. . . ."

BOARD OF COUNTY COMMISSIONERS
BROWN COUNTY
FEDERAL FINDINGS
(Continued)

28 CFR 66.32(d) states:

"Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return."

Cause

The County Sheriff's office did not maintain capital assets records to report to the County their capital assets including those purchased with federal funds. The County did not maintain capital asset records including those purchased with federal funds.

Effect

The failure to establish effective internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement for the Equipment and Real Property Management requirements that have a direct and material effect to the program could have resulted in the loss of federal funds to the County.

Questioned Costs

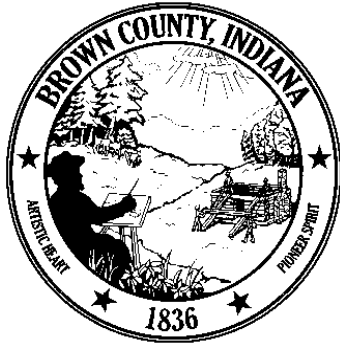
There were no questioned costs identified.

Recommendation

We recommended that the County Sheriff's office and the County's management establish and implement controls related to the grant agreement and the requirements pertaining to Equipment and Real Property Management.

Views of Responsible Officials

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



**Brown County Government
Board of Commissioners**

www.browncounty-in.gov

2nd Floor County Office Building
201 Locust Lane
Nashville, Indiana 47448

Phone: 812-988-4901

Fax: 812-340-0979

E-mail: commissioners@browncounty-in.us

June 26, 2017

FINDING 2014-004

Contact Person Responsible for Corrective Action: County Commissioners

Contact Phone Number: 812-988-4901

Views of Responsible Official: We concur with the finding.

During the 2014 term, Brown County employed a "County Administrator". According to the formers job description, one of the assigned tasks was to "Identify and prepare grants. Track grants and prepare necessary reporting." Specific responsibility for the administration of any grants was vested in a contracted professional grant administration firm.

Description of Corrective Action Plan:

1. The specific official applying for the grant should review each grant for compliance requirements.

- i. If *Davis Bacon compliance* is required that official should review payroll samplings at least monthly to ensure compliance. This review should be documented by placing the reviewer's initials on the payroll. This payroll must be maintained in the grant file.

2. County Council/Commissioners should discuss and decide whether to contract a professional Grant Administrator, or to place this responsibility in the job description of a county official/employee.

3. The county's Grant Administrator, if any, should also determine if each grant requires Davis Bacon compliance.

1. If compliance required, the county's Grant Administrator, if any, should require copies of the applying official's compliance review for further review and placement in the main grant file.

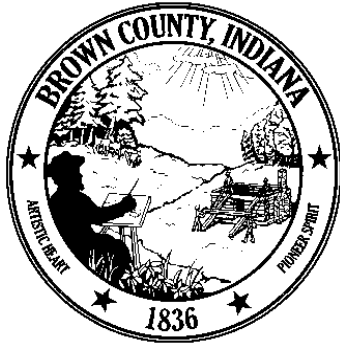
Anticipated Completion Date:

1. Prior to September 30, 2017

Please contact me if you have any questions;

Kindest Regards,

Diana Biddle
Brown County Commissioner



**Brown County Government
Board of Commissioners**

www.browncounty-in.gov

2nd Floor County Office Building
201 Locust Lane
Nashville, Indiana 47448

Phone: 812-988-4901

Fax: 812-340-0979

E-mail: commissioners@browncounty-in.us

June 26, 2017

FINDING 2014-005

Contact Person Responsible for Corrective Action: County Commissioners

Contact Phone Number: 812-988-4901

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

1. The County Commissioners began compiling inventory documentation as part of our Property/Casualty Insurance bidding process in early 2017.
2. The County Commissioners will conduct a county-wide capital asset inventory in 2017 and annually thereafter, implementing a system that requires individual offices and/or departments to inform them of capital asset acquisition providing a form for usage, with specific emphasis on assets acquired via grants.
3. The County Auditor will be provided with a copy of the annual inventory by December 31, 2017 for usage in compiling the county's Annual Financial Report.

Anticipated Completion Date:

1. Prior to December 31, 2017

Please contact me if you have any questions;

Kindest Regards,

Diana Biddle
Brown County Commissioner

BOARD OF COUNTY COMMISSIONERS
BROWN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 29, 2017, with Diana Biddle, County Commissioner; David Critser, President of the County Council; Beth A. Mulry, County Auditor; and Mary E. Smith, County Treasurer.

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COUNTY SHERIFF
BROWN COUNTY

COUNTY SHERIFF
BROWN COUNTY
FEDERAL FINDINGS

FINDING 2014-005

Subject: Edward Byrne Memorial Justice Assistance Grant Program -
Equipment and Real Property Management
Federal Agency: Department of Justice
Federal Program: Edward Byrne Memorial Justice Assistance Grant Program
CFDA Number: 16.738
Federal Award Number and Year (or Other Identifying Number): D3-14-8673
Pass-Through Entity: Indiana Criminal Justice Institute
Compliance Requirement: Equipment and Real Property Management
Audit Findings: Material Weakness, Other Matter/Qualified Opinion

Condition

Management of the County had not established an effective internal control system over the requirements relating to Equipment and Real Property Management.

County officials did not have controls in place to ensure that capital assets purchased with federal funds were properly accounted for. Capital assets purchased with grant funds through the County Sheriff's office were not included on the County's capital assets records.

Context

During the audit period, 100 percent of the equipment purchased with the grant funds through the County Sheriff's office was not included on the County's capital asset records.

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. . . ."

28 CFR 66.32(d) states:

"Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.

COUNTY SHERIFF
BROWN COUNTY
FEDERAL FINDINGS
(Continued)

- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return."

Cause

The County Sheriff's office did not maintain capital assets records to report to the County their capital assets including those purchased with federal funds. The County did not maintain capital asset records including those purchased with federal funds.

Effect

The failure to establish effective internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement for the Equipment and Real Property Management requirements that have a direct and material effect to the program 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 Sheriff's office and the County's management establish and implement controls related to the grant agreement and the requirements pertaining to Equipment and Real Property Management.

Views of Responsible Officials

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

FINDING 2014-006

Subject: Edward Byrne Memorial Justice Assistance Grant Program - Reporting
Federal Agency: Department of Justice
Federal Program: Edward Byrne Memorial Justice Assistance Grant Program
CFDA Number: 16.738
Federal Award Number and Year (or Other Identifying Number): D3-14-8673
Pass-Through Entity: Indiana Criminal Justice Institute
Compliance Requirement: Reporting
Audit Finding: Material Weakness

Condition

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

COUNTY SHERIFF
BROWN COUNTY
FEDERAL FINDINGS
(Continued)

One person was responsible for preparing and filing the required quarterly reports. There was no evidence to suggest proper segregation of duties to ensure required quarterly reports were prepared and filed correctly.

Context

There was no evidence of internal controls for all four of the quarterly reports filed during the audit period.

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls, 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.



Brown County Sheriff's Office

Scott Southerland
Sheriff

55 State Rd. 46E
P.O. Box 95
Nashville, IN 47448
Phone 812-988-6655
Fax 812-988-8859

CORRECTIVE ACTION PLAN

Finding 2014-005

Contact Person Responsible for Corrective Action: Scott Southerland

Contact Phone Number: 812-988-6655

Views of Responsible Official: We concur with the finding.

Scott Southerland took the office of Sheriff of Brown County on January 1, 2015. Prior administrations and individuals no longer with the Sheriff's Office were responsible for the operations of the department, including oversight of Federal grants, before this date.

Description of Corrective Action Plan:

Sheriff Southerland will create and maintain a capital asset list to make a record of all equipment purchased with federal funds. A copy of this list will be provided to the Brown County Auditor's Office to be included on the county asset inventory.

Anticipated Completion Date: Capital asset records will be implemented by August 30, 2017.

(Signature)

Sheriff

(Title)

4-29-2017

(Date)



Brown County Sheriff's Office

Scott Southerland
Sheriff

55 State Rd. 46E
P.O. Box 95
Nashville, IN 47448
Phone 812-988-6655
Fax 812-988-8859

CORRECTIVE ACTION PLAN

Finding 2014-006

Contact Person Responsible for Corrective Action: Scott Southerland

Contact Phone Number: 812-988-6655

Views of Responsible Official: We concur with the finding.

Scott Southerland took the office of Sheriff of Brown County on January 1, 2015. Prior administrations and individuals no longer with the Sheriff's Office were responsible for the operations of the department, including oversight of Federal grants, before this date.

Description of Corrective Action Plan:

Sheriff Southerland will review the internal controls systems in place at the department in the specific area of segregation of duties involved in the financial reporting on grants. The Uniform Internal Control Standards for Indiana Political Subdivisions will be used as a resource for the review and future internal control matters. In order to address this specific finding, Sheriff Southerland will implement a two person protocol for the creation, review and approval of all grant financial reports.

Anticipated Completion Date: Two person protocols will be implemented by August 30, 2017.



(Signature)

SHERIFF

(Title)

4-26-2017

(Date)

COUNTY SHERIFF
BROWN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 29, 2017, with Scott D. Sutherland, County Sheriff; David Critser, President of the County Council; Diana Biddle, County Commissioner; Beth A. Mulry, County Auditor; and Mary E. Smith, County Treasurer.

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COUNTY JUDGE
BROWN COUNTY

COUNTY JUDGE
BROWN COUNTY
FEDERAL FINDING

FINDING 2014-007

Subject: Child Support Enforcement - Allowable Costs/Cost Principles
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): 2014
Pass-Through Entity: Indiana Depart of Child Services
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Condition

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

The Circuit Court IV-D office was required to maintain Semi-Annual Certifications and Personnel Activity Reports on all full and part-time employees paid from the grant. These reports were maintained but were not being signed by the employees or supervisory officials.

Context

There was a lack of controls for the entire audit period.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

OMB Circular A-87, Attachment B, section 8h, states in part:

". . . (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared a least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

COUNTY JUDGE
BROWN COUNTY
FEDERAL FINDING
(Continued)

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases,
or
- (e) An unallowable activity and a direct or indirect cost activity. . . ."

Cause

Management had not developed a system of internal controls that ensured the Allowable Costs/ Cost Principles compliance requirement was met.

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 establish internal controls related to the grant agreement and Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

BROWN CIRCUIT COURT

P.O. Box 85
Nashville, Indiana 47448

(812) 988-7557
Fax (812) 988-5515

Judith A. Stewart
Judge

Frank M. Nardi
Magistrate

CORRECTIVE ACTION PLAN

FINDING 2014-007

Contact Person Responsible for Corrective Action: Judith A. Stewart
Contact Phone Number: 812-988-7557

Views of Responsible Official:

The finding relates to timesheets that were maintained but not signed. This audit period was near the beginning of the time we became involved in this process, and we have since improved our record keeping process.

I would also note that the timesheets in question are based on time studies. The periodic time studies track actual hours spent on IV-D work each day by each employee during the time study, and those percentages of total time are used to seek IV-D reimbursement until the next time study is completed and the percentage adjusted if necessary. Consequently, the monthly timesheets that were found lacking in this finding are not actual daily logs of hours worked, only reflections of the time study. I am confident that the time studies were correct, and that the actual hours logged by each employee during the time study were accurate and conscientious. Consequently, while we failed to maintain signed copies of some of the monthly timesheets based on that time study, I do not feel this failure impacted the integrity of our data or reimbursement claim in any way.

We continue to conduct accurate time studies to ensure a proper basis for our reimbursement claim. Court employees currently sign each monthly time sheet, even though they only reflect the time study not specific hours worked, and we maintain the signed time sheets.

Description of Corrective Action Plan:

I will ensure all timesheets are signed by the employees and will ensure accurate maintenance of those signed timesheets.

Anticipated Completion Date:

Corrective action already has been completed.

Sincerely,

Judith A. Stewart
Judge, Brown Circuit Court

Date

6/21/17

Eighty-Eighth Judicial Circuit

COUNTY JUDGE
BROWN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 29, 2017, with Judith A. Stewart, County Judge; David Critser, President of the County Council; Diana Biddle, County Commissioner; Beth A. Mulry, County Auditor; and Mary E. Smith, County Treasurer.