

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

VIGO COUNTY, INDIANA

January 1, 2016 to December 31, 2016



FILED
09/01/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Timothy M. Seprodi James W. Bramble	01-01-13 to 12-31-16 01-01-17 to 12-31-20
County Treasurer	James W. Bramble Nancy Allsup	01-01-13 to 12-31-16 01-01-17 to 12-31-20
Clerk of the Circuit Court	David R. Crockett Bradley M. Newman	01-01-13 to 12-31-16 01-01-17 to 12-31-20
County Sheriff	Gregory T. Ewing	01-01-15 to 12-31-18
County Recorder	Nancy Allsup Stacey J. Fueston	01-01-13 to 12-31-16 01-01-17 to 12-31-20
President of the Board of County Commissioners	Judith A. Anderson	01-01-16 to 12-31-17
President of the County Council	Rick Burger Bill Thomas	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 VIGO COUNTY, INDIANA

This report is supplemental to our audit report of Vigo County (County), for the period from January 1, 2016 to December 31, 2016. 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 Result and Comment 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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, was not verified for accuracy.

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

July 13, 2017

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COUNTY AUDITOR
VIGO COUNTY

COUNTY AUDITOR
VIGO COUNTY
FEDERAL FINDING

**FINDING 2016-001 - PREPARATION OF THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS**

Repeat Finding

This is a repeat of Finding 2014-001 from the immediate prior year.

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 grant information was entered into the Indiana Gateway for Government Units financial system (Gateway), which is the source of the SEFA, and no evidence was presented that would have indicated there was an oversight, review of approval process, or other compensating controls in place to verify the accuracy of the information and amounts.

The SEFA contained the following errors:

1. FY2015 Operation Pull Over Enforcement Grant WTHPD was overstated by \$1,006.
2. The LEPC-Hazardous Materials Emergency Preparedness Program (HMEP) was overstated by \$1,764.
3. The Title IV-D Child Support Reimb (Regular) included State reimbursements received, resulting in an overstatement of \$20,615.
4. An incorrect amount was reported for the Child Support (Indirect Costs). This resulted in a \$298,544 understatement.
5. The Title IV-D Child Support Reimb (Regular) was reported twice, which resulted in a \$2,664 overstatement.
6. The EMA-District 7 Equipment grant was reported as being from an Unknown Federal Agency, this should have been reported as Department of Homeland Security with CFDA 97.042.
7. The Fayette Township Water Grant was reported as being from an Unknown Federal Agency, this should have been reported as Department of Housing and Urban Development, Community Development Block Grants\State's program and Non-Entitlement Grants in Hawaii, CFDA 14.228. The amount passed through to a Subrecipient was not identified.
8. The Edward Byrne Memorial Justice Assistance Grant Program, CFDA 16.738, received a pass-through grant from the City of Terre Haute which was omitted from the schedule. The total of the understatement was \$3,500.

The errors resulted in a net \$275,995 understatement of federal expenditures on the SEFA. Audit adjustments were proposed, accepted by the County, and made to the SEFA.

COUNTY AUDITOR
VIGO COUNTY
FEDERAL FINDING
(Continued)

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."

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

2 CFR 200.510(b) states:

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

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

COUNTY AUDITOR
VIGO COUNTY
FEDERAL FINDING
(Continued)

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

Cause

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

Effect

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

Views of Responsible Officials

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



Vigo County Auditor
VIGO COUNTY ANNEX
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Cheryl Loudermilk, Chief Deputy Auditor
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July 6, 2017

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: James Bramble

Contact Phone Number: 812-462-3361

Views of Responsible Official: We concur with the finding

Corrective Action Plan:

We do understand the necessity of maintaining a system of internal controls which provides a reasonable assurance regarding the reliability of financial information and records

In order to prevent misstatements in the future, it is our plan to provide adequate training for new employees involved in the administration and reporting of federal awards. We will also require more extensive review of the work product for these employees.

Anticipated Completion Date: 12/31/17

James W Bramble, CPA
Vigo County Auditor

COUNTY AUDITOR
VIGO COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 13, 2017, with Timothy M. Seprodi, former County Auditor; James W. Bramble, County Auditor; Judith A. Anderson, President of the Board of County Commissioners; Bill Thomas, President of the County Council; Jon R. Marvel, County Commissioner; Brad Anderson, County Commissioner; and Michael J. Wright, County Attorney.

COUNTY SHERIFF
VIGO COUNTY

COUNTY SHERIFF
VIGO COUNTY
AUDIT RESULT AND COMMENT

BANK ACCOUNT RECONCILIATIONS - SHERIFF'S TRUST AND INMATE TRUST

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations did not balance. The County Sheriff's Trust reconciliation was cash short of \$134 at December 31, 2016. This difference is identical to the 2015 bank reconciliation difference.

The Inmate Trust reconciliation was cash short of \$1,595 at December 31, 2016. The outstanding check list presented for audit was incorrect due to a bookkeeping error in June and the uncleared checks were not properly totaled.

A similar comment appeared in the prior report.

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
VIGO COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 13, 2017, with Dee Smiley, Jail Matron; Nancy Roberts, Officer Manager; Judith A. Anderson, President of the Board of County Commissioners; Bill Thomas, President of the County Council; Jon R. Marvel, County Commissioner; Brad Anderson, County Commissioner; and Michael J. Wright, County Attorney.