

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

FLOYD COUNTY, INDIANA

January 1, 2015 to December 31, 2015



FILED
09/12/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Scott L. Clark	01-01-15 to 12-31-18
County Treasurer	Linda L. Berger Lois N. Endris	01-01-13 to 12-31-16 01-01-17 to 12-31-20
Clerk of the Circuit Court	Christy M. Eurton	01-01-15 to 12-31-18
County Sheriff	Frank Loop	01-01-15 to 12-31-18
County Recorder	Lois N. Endris Todd Scannell	01-01-13 to 12-31-16 01-01-17 to 12-31-20
President of the Board of County Commissioners	Mark Seabrook Steve A. Bush Mark Seabrook	01-01-15 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17
President of the County Council	Matt Oakley Brad Striegel	01-01-15 to 12-31-15 01-01-16 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF FLOYD COUNTY, INDIANA

This report is supplemental to our audit report of Floyd 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, was not verified for accuracy.

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

July 17, 2017

COUNTY AUDITOR
FLOYD COUNTY

COUNTY AUDITOR
FLOYD COUNTY
FEDERAL FINDINGS

FINDING 2015-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition

Due to the lack of controls over the input of financial information entered into the Indiana Gateway for Government Units financial system, which is the source for the Annual Financial Report (AFR) and the financial statement, the following errors occurred on the AFR and the financial statement: two funds were omitted and the activity for one fund was reported incorrectly.

The net effect of the errors resulted in the beginning cash and investment balance being understated by \$8,580; receipts being understated by \$920,907; disbursements being overstated by \$5,433 and the ending cash and investment balance being understated by \$934,920.

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

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities. . . .

- Accurate and timely recording of transactions. . . ."

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
FLOYD 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 2015-002 - PREPARATION OF THE 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). One person was solely responsible for preparing and submitting the SEFA without any compensating controls. Documentation was not retained to support how information reported on the SEFA was determined. The SEFA presented for audit contained material errors as indicated below.

1. Federal grants were understated in the net amount of \$302,807.
2. Six federal grants totaling \$612,615 were omitted.
3. There were a number of instances in which the identifying project numbers assigned by the pass-through agencies were incorrect.

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. . . .

COUNTY AUDITOR
FLOYD COUNTY
FEDERAL FINDINGS
(Continued)

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

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

2 CFR 200.510(b) states:

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

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

COUNTY AUDITOR
FLOYD COUNTY
FEDERAL FINDINGS
(Continued)

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA. The SEFA was prepared by staff in the County Auditor's office without compensating controls. The grant files and records, either maintained by the County Auditor's office, or forwarded to the County Auditor's office from the departments, were not complete and accurate. The lack of complete and accurate records combined with the lack of adequate internal controls contributed to inaccurate reporting of the SEFA.

Effect

Without a proper system of internal controls in place that operated effectively, material misstatements of the SEFA remained undetected, as identified in the *Condition* paragraph above.

Views of Responsible Officials

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



Scott L. Clark, Auditor of Floyd County

Corrective Action Plan

Finding 2015-001

Contact Person responsible for Corrective Action: Scott L. Clark

Contact Phone no.: 812-948-5435

Views of responsible Official: The Auditor agrees with the finding.

Description of Corrective Action Plan:

The Auditor will now review the AFR report for BEFORE the report is input into the Gateway system. The report is prepared by the Chief Deputy. The Auditor will now review the report for classification, reconciliation and agreement of beginning and ending balances from the prior year, before Gateway submission.

In addition, note that the Auditor, along with the Treasurer, will conduct an internal control study to review and repair any internal control weaknesses within Floyd County Gov't. This study will lead to an written internal control plan to be utilized to provide for a basis for the future.



Signature

Title: Auditor

Date: 6-30-2017



Scott L. Clark, Auditor of Floyd County

Corrective Action Plan

Finding 2015-002

Contact Person responsible for Corrective Action: Scott L. Clark

Contact Phone no.: 812-948-5435

Views of responsible Official: The Auditor agrees with the finding.

Description of Corrective Action Plan:

As with finding 2015-001, the auditor, along with the Treasurer, will conduct an internal control study to review and repair any internal control weaknesses within Floyd County Gov't. This study will lead to a written internal control plan to be utilized to provide for a basis for the future. Separately, the Auditor is now reviewing the schedule for errors prior to the report being submitted.

A handwritten signature in black ink, appearing to be "S. L. Clark", written in a cursive style.

Signature

Title: Auditor

Date: 6-30-2017

COUNTY AUDITOR
FLOYD COUNTY
AUDIT RESULTS AND COMMENTS

ANNUAL REPORT

The Annual Report for 2015 contained a number of errors. Receipt and disbursements were not properly classified in the financial statement. The majority of the receipts were classified as "other receipts" and disbursements were only classified into two categories: "personal services" and "other disbursements." Financial activity for two funds was omitted for the Annual Report.

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."

APPROPRIATIONS

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

Fund	Excess Amount Expended
General	\$ 1,167,087
Local Road and Street	125,846

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
FLOYD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 17, 2017, with Scott L. Clark, County Auditor; Brad Striegel, President of County Council; and John J. Schellenberger, County Commissioner.

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COUNTY TREASURER
FLOYD COUNTY

COUNTY TREASURER
FLOYD COUNTY
FEDERAL FINDING

**FINDING 2015-003 - INTERNAL CONTROLS OVER FINANCIAL
TRANSACTIONS AND REPORTING - TREASURER'S OFFICE**

Condition

The County Treasurer did not have a proper system of internal control in place over financial transactions and reporting to prevent, or detect and correct, errors in financial reporting. The County Treasurer had not separated incompatible activities related to receipts and cash and investments. The same individuals responsible for collecting and depositing funds and recording financial activity, also performed the bank reconciliations without any compensating controls to verify the accuracy of the reconcilements.

Depository reconciliations of the fund balances to the bank account balances in the County Treasurer's office were conducted; however, the reconciliations contained errors and did not balance. A comparison of the Treasurer's Daily Balance of Cash and Depositories, Form 47 (Cash Book) to the bank accounts on December 31, 2015, indicated a cash long of \$271,548.

Financial transactions were not recorded in a timely manner. At December 31, 2015, financial activity in the amount of \$157,089 from various sources, had been received, but not recorded to the financial records. The following problems were identified regarding timely recording of financial transactions:

1. Credit card receipts were not recorded at the time of the transactions. Instead, they were recorded when they were received from the credit card processing company.
2. E911 fees electronically deposited were recorded one to three months after the funds were received.
3. License excise tax electronically deposited was recorded one to two months after the funds were received.
4. Some reconciling items on the bank reconciliations related to errors identified in the recording of financial activity remained uncorrected for up to a year.
5. Monies received and deposited daily by outside County departments were recorded a month to a month and half after received.
6. Monthly interest earned on wealth management investment account was only recorded quarterly and fees on the account were not recorded.

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
FLOYD 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 Counties of Indiana, Chapter 1)

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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



Lois N. Endris
Floyd County Treasurer

CORRECTIVE ACTION PLAN

FINDING 2015-003

Contact Person Responsible for Corrective Action – Lois Endris, Treasurer

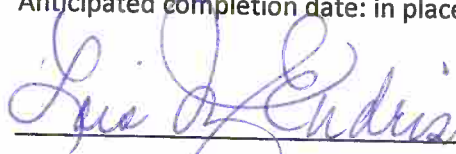
Contact Phone Number – 812-948-5477

Views of Responsible Official: Implementing procedures for corrective action on findings

Description of Corrective Action Plan:

1. Procedures were implemented as of 01-01-2017 to perform reconcilements on all depository and investment accounts. Control procedures were implemented as of 01-01-2017 for collecting and depositing funds whereby bank reconcilements and investment accounts are performed by a staff member and are reviewed and signed off by the Treasurer to ensure accuracy. To date, all unreconciled items have been corrected and all accounts are in balance. The individual balancing the accounts also keeps a separate accounting of all investments, dividends, and fees. All of these activities are verified by the Treasurer and double checked.
2. As of 01-01-2017, procedures have been implemented to ensure timely recording of financial transactions for the following outside departments; Parks Dept, Community Corrections, Health Dept. and Planning Commission. Each department is required to submit reports of deposits on a weekly basis to the Auditors office, thus generating a timely quietus.
3. Procedures have been implemented as of 01-01-2017 whereby license excise tax is now being receipted to the records on a regular basis twice a month.
4. Procedures have been implemented as of 03-01-2017 whereby interest earned on investment accounts along with fees associated with the investment account is recorded and tracked on a monthly basis. This account is not reconciled as of this report.
5. The Treasurer's office and the Auditor's office have each assigned a staff member to work together to identify unrecorded deposits, resolve any errors, and make corrections to ensure financial activity is corrected and recorded in a timely manner.
6. Procedures were implemented in late 2014 (cannot determine exact date) for separate individuals to perform daily counter drawer reconciliation vs. daily balance cashbook deposit reconciliation.

Anticipated completion date: in place currently



Lois N. Endris, Treasurer

April 26, 2017

Room 113 City-County Bldg. • 311 Hauss Square • New Albany, Indiana 47150
Phone: 812-948-5477 • Fax: 812-948-4750
lendris@floydcounty.in.gov
www.floydcounty.in.gov

COUNTY TREASURER
FLOYD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 20, 2017, with Lois N. Endris, County Treasurer, and Rebecca S. Lang, First Deputy Treasurer.

The contents of this report were also discussed on July 17, 2017, with Brad Striegel, President of County Council, and John J. Schellenberger, County Commissioner.

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COUNTY SHERIFF
FLOYD COUNTY

COUNTY SHERIFF
FLOYD COUNTY
FEDERAL FINDING

**FINDING 2015-004 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS
AND REPORTING - SHERIFF'S DEPARTMENT**

Condition

The County Sheriff's Department did not have a proper system of internal control in place over financial transactions to prevent, or detect and correct, errors in financial reporting. The County Sheriff's Department had not separated incompatible activities related to receipts, disbursements, and cash and investments. One individual is responsible for performing the reconciliation of the depository account balance with the record balance; preparing and making bank deposits; reconciling daily cash collections; recording receipts; issuing checks and recording disbursements; approving purchases and payment of invoices; and preparing the Supplemental County Annual Financial Report (CAR-1).

The financial activity for the Sheriff's Commissary & Inmate Trust Fund reported in the financial statement was incorrect. The receipts were overstated by \$67,124 and disbursements were understated by \$155,765, which resulted in the ending cash and investment balance being overstated by \$222,889.

The financial records presented for audit were incomplete and were not reflective of all financial activity of the Floyd County Sheriff Fund. The following problems were identified with the CAR-1 and the financial records:

1. The CAR-1 was not reflective of the activity shown in the department's financial records. The CAR-1 was prepared based upon the activity per the bank statements for one of the department's bank accounts. Receipts and disbursements for the Floyd County Sheriff Fund were found to be understated by \$104,931 and \$114,022, respectively, which resulted in the ending cash and investment balance being overstated by \$9,091.
2. The financial ledger for the Floyd County Sheriff Fund was incomplete and was not reflective of all financial activity. Not all transactions were recorded in the financial records. The following deficiencies were identified:
 - a. No receipts were issued for collections deposited totaling \$54,482. This receipt activity was not recorded to the ledger. A review of supplemental information indicated these collections consisted of unrecorded credit card transactions, state fees and grants, and correction of prior year errors.
 - b. The financial records did not contain a beginning or ending cash balance.
 - c. Disbursement transactions totaling \$1,675,243 from tax warrants and sheriff sales were not recorded in the ledger.
3. Monthly reconciliements of the depository account balance with the ledger record balance were not performed.

Audit adjustments for the Sheriff's Commissary & Inmate Trust Fund and Floyd County Sheriff Fund were proposed, accepted by the County, and made to the financial statement.

COUNTY SHERIFF
FLOYD 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. . . ."

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

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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

Cause

The County had not established a system of internal controls to ensure that all financial activity was properly accounted for and reported in the financial statement.

The failure to establish controls enabled material misstatements and 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.



FLOYD COUNTY SHERIFF'S DEPARTMENT

"The Sheriff shall keep and preserve the peace of his county"

Indiana State Board of Accounts
302 West Washington Street Rm E418
Indianapolis, Indiana 46204-2769

Ref: 2015-004 Correction Action Plan

Auditor findings....

The Sheriff's Department did not have a proper system of internal control in place over financial transactions to prevent or detect and correct errors in financial reporting. The Sheriff's Department had not separated incompatible activities related to receipts, disbursements, and cash and investments. One individual is responsible for performing the reconciliation of the depository account balance with the record balance; preparing and making bank deposits; reconciling daily cash collections; recording receipts; issuing checks and recording disbursements; approving purchases and payment of invoices and preparing the Supplemental County Annual Financial Report (CAR-1).

Sheriff Response....

The Floyd County Sheriff's Department has separated duties that were implemented during the 2014 audit at the request of SBOA auditor, However since the SBOA is two years behind in their audit efforts those results won't show until 2016 audit. The Sheriff's Office currently has no less than three different employees handling the financial issues of the Sheriff's Department. Sheriff Frank Loop has held weekly staff meetings where finances are discussed including approval or denial of purchases. Sheriff Frank Loop approved the CAR-1 report each year which is reflected by his signature on the report.

Auditor findings

The financial activity for the Sheriff's Commissary and Inmate Trust Fund reported in the financial statement was incorrect. The receipts were overstated by \$67,124 and disbursements were understated by \$155,765, which resulted in the ending cash and investment balance being overstated by \$222,889.

Sheriff Response....

The discrepancies listed above were temporary issues due to the Sheriff changing banks from Main Source to Your Community Bank and the reconciliations of funds with Tiger software; the vendor the Sheriff uses to control the finances for the Commissary Account and the Inmate Trust Fund SBOA auditor was provided updated reconciliations from Tiger Software after this report was prepared. (4-7-17)

Audit findings

Disbursement transactions totaling \$1,675,243 from tax warrants and sheriff sales were not recorded in the ledger.

Sheriff Response ...

These transactions may not have been listed in the ledger but were recorded and reconciled with the bank and since 2015 we have added these to the ledger as requested.

There are at least four employees who manage the finances of the Floyd County Sheriff's Department on a daily basis depending on the function of the finances, during this audit only one of them was interviewed, the others including the Sheriff never had the opportunity to meet with, provide records or explanations of procedures.



Sheriff Frank Loop

**Cc: Floyd County Auditor
Floyd County Council
Floyd County Commissioners**

COUNTY SHERIFF
FLOYD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 21, 2017, with Frank Loop, County Sheriff.

The contents of this report were also discussed on July 17, 2017, with Brad Striegel, President of County Council, and John J. Schellenberger, County Commissioner.

CLERK OF THE CIRCUIT COURT
FLOYD COUNTY

CLERK OF THE CIRCUIT COURT
FLOYD COUNTY
FEDERAL FINDINGS

***FINDING 2015-005 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS
AND REPORTING - CLERK OF THE CIRCUIT COURT***

Condition

The Clerk of the Circuit Court (Clerk) did not have a proper system of internal control in place over financial transactions to prevent, or detect and correct, errors in financial reporting. The Clerk had not separated incompatible activities related to receipts, disbursements, and cash and investments. One individual was responsible for performing the reconciliation of the depository account balance with the record balance; preparing and making bank deposits; reconciling daily cash collections; recording receipts; issuing checks and recording disbursements; and preparing the Supplemental County Annual Financial Report (CAR-1).

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 County had not established a system of internal controls to ensure that all financial activity was properly accounted for and reported in the financial statement.

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.

CLERK OF THE CIRCUIT COURT
FLOYD COUNTY
FEDERAL FINDINGS
(Continued)

FINDING 2015-008 - 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): N/A
Pass-Through Entity: Indiana Department of Child Services
Audit Findings: Material Weakness, Other Matter/Modified Opinion

Repeat Finding

This is a repeat finding from the immediate prior year. The prior year finding number was 2014-004.

Condition

An effective internal control system was not in place for the Clerk of the Circuit Court's office, County Prosecuting Attorney's office, and the Courts to ensure compliance with Allowable Costs/Cost Principle requirements related to time and effort for the program.

Procedures were not in place to properly document time and effort related to salaries charged to the grant program.

Context

A third-party contractor conducted a time study of the County's Courts (Circuit, Magistrate, Superior 1 and Superior III) prior to implementing the Court Title IV-D program. The time study identified which court employees worked on IV-D cases and the percentage of time devoted to IV-D activities. Through this methodology, the third-party contractor applied calculated IV-D percentages to total IV-D employee payroll each month and the amounts were then included within the Court's Monthly Record of Monthly Time and Monthly Expense Claim for Title IV-D. No evidence was presented to indicate compensating controls to ensure that all personal services submitted for reimbursement had been incurred and paid prior to requesting reimbursement.

The County Prosecuting Attorney's office submitted Monthly Expense Claim IV-D forms, throughout the audit period, that included personal services expenses. There was no evidence presented for audit documenting the employees' time and effort related to child support enforcement activities.

The Clerk of the Circuit Court's office paid two employees' compensation and fringe benefits with Clerk IV-D Incentive funds. There was no evidence presented for audit documenting the employees' time and effort related to child support enforcement activities.

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. . . ."

CLERK OF THE CIRCUIT COURT
FLOYD COUNTY
FEDERAL FINDINGS
(Continued)

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). . . ."

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 at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

(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. . . ."

2 CFR 200.430(i) states in part:

Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .

CLERK OF THE CIRCUIT COURT
FLOYD COUNTY
FEDERAL FINDINGS
(Continued)

- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Cause

Management of the County had not designed or implemented internal control procedures to ensure compliance with requirements related to Allowable Costs/Cost Principles.

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 Cost

There were no questioned costs identified.

Recommendation

We recommended that the Clerk of the Circuit Court's office, County Prosecuting Attorney's office, and the Courts established internal controls, including segregation of duties, related to the grant agreement and requirements that pertain to 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.

Auditor's Response

Although we agree that it is not required that a supervisory official review and approve the Record of Monthly Time, OMB Circular A-87, Attachment B, item 8h(5) does specifically state that the personnel activity reports or equivalent record (Record of Monthly Time) must be signed by the employee. If no control is in place to ensure that the Record of Monthly Time has been signed by each employee, an internal control deficiency is deemed to exist.



Christy M Eurton, Floyd County Clerk

Room 235 City County Building, New Albany, IN 47150

812-542-3043

FAX 812-948-4711

Corrective Action Plan

Finding 2015-005

Contact Person Responsible for Corrective Action: Christy M Eurton

Contact Phone Number: 812-542-3043

Views of Responsible Official:

Description of Corrective Action Plan:

We believe no additional Corrective Action is required for Finding 2015-005 as proper procedures are in place.

In October 2015 during the completion of the 2014 annual audit, control deficiencies identified in finding 2015-005 were brought to the attention of Clerk Eurton. The Clerk's office promptly implemented corrective action when alerted to the deficiencies. Implementation of corrective action was completed on 10/31/15 as noted below:

The Bookkeeper balances daily tills and runs balance reports. Daily balance reports are printed for each till. Deposit slips and bank deposit receipts are attached to the balance reports. Clerk Eurton reviews the reports and deposit receipts verifying the amounts are in agreement and the composition of the deposit made agrees with the bank deposit. Clerk Eurton then initials and dates the reports to signify the information was correct. Additionally, a Deputy Clerk takes the daily deposits to the bank. The Bookkeeper reconciles the daily deposit. Clerk Eurton reviews and signs the monthly SBOA Accounts Reconciliation prepared by the Bookkeeper.

Clerk Eurton reviews the annual Supplemental County Annual Financial Report (CAR-1) report completed by the Bookkeeper and verifies account balances with the financial records prior to filing the report with the County Auditor.



(Signature)

Floyd County Clerk of Courts

April 27, 2017



Christy M Eurton, Floyd County Clerk

Room 235 City County Building, New Albany, IN 47150

812-542-3043

FAX 812-948-4711

Corrective Action Plan

Finding 2015-008

Contact Person Responsible for Corrective Action: Christy M Eurton

Contact Phone Number: 812-542-3043

Views of Responsible Official:

Description of Corrective Action Plan:

We concur, in part, with finding for 2015-008 as no part time employee documentation was maintained for 2015.

The Clerk's office addressed the issue of documentation for part time employees after reviewing regulations and guidelines in January 2016 following the exit interview for the 2014 State Board of Accounts Audit. The Clerk's office implemented procedures to properly certify part time employee work hours by having part time employees sign semi-annual certifications as to time dedicated to IV-D cases. Full time employees completed semi-annual audits of their IV-D time and the percentage is applied per the official IV-D worksheets.

Completion Date: 1/30/16


(Signature)

Floyd County Clerk of Courts

May 22, 2017

CLERK OF THE CIRCUIT COURT
FLOYD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 20, 2017, with Christy M. Eurlon, Clerk of the Circuit Court.

The contents of this report were also discussed on July 17, 2017, with Brad Striegel, President of County Council, and John J. Schellenberger, County Commissioner.

COUNTY HIGHWAY
FLOYD COUNTY

COUNTY HIGHWAY
FLOYD COUNTY
FEDERAL FINDING

FINDING 2015-006 - SUSPENSION AND DEBARMENT

Federal Agency: Department of Transportation
Federal Program: Highway Planning and Construction
CFDA Number: 20.205
Federal Award Number and Year (or Other Identifying Number): DES 0200786
Pass-Through Entity: Indiana Department of Transportation
Audit Findings: Material Weakness, Other Matter

Repeat Finding

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

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 following compliance requirement: Procurement and Suspension and Debarment. There were inadequate procedures established to ensure that the County was in compliance with the requirements for the Old Vincennes Road utility relocation project.

Context

The County included a clause in its contractor/consultant agreements requiring that they, and their subcontractors, not be suspended or debarred from doing business with the federal government; however, the Utility Reimbursement Agreements did not include this clause. The County did not provide evidence for audit that it had any other controls in place to meet the suspension and debarment requirements for these types of agreements.

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
FLOYD COUNTY
FEDERAL FINDING
(Continued)

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

Cause

Management of the County had not designed or implemented internal control procedures to ensure compliance with the suspension and debarment requirements.

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 and implement controls, including segregation of duties, related to the grant agreement and the requirements pertaining to suspension and debarment.

Views of Responsible Officials

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

Department of Operations and County Planning
2524 Corydon Pike Suite 202
New Albany, IN 47150
(812)948.4110

Corrective Action Plan

May 22, 2017

Findings 2015-006 – Suspension and Disbarment

Contact Person: Donald Lopp, Director of Operations and County Planning

Contact Telephone Number: (812)948.4110

View of Responsible Official: Consent to Corrective Action Plan

Description of Corrective Action Plan:

Please see the finding as *“An effective internal control system, which would include segregation of duties, was not in place at the County in order to ensure compliance with requirements related to the grant agreement, and the compliance requirements related to the suspension and debarment. There were inadequate procedures established to ensure that the County was in compliance with the requirements for the Old Vincennes Road utility relocation project, DES 0200786. The failure to establish an effective internal control system allowed material noncompliance with the requirements.*

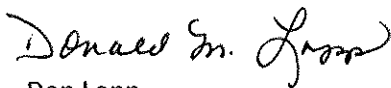
County Response:

INDOT provides and requires the County to use a standard INDOT agreement for both grant agreements and utility relocation agreements. While SBOA has stated that the County is required to ensure compliance with all requirements, the County does not have any stated or known authority to review or alter INDOT documents for projects. All documents were reviewed by not only INDOT legal counsel but also County counsel.

The Corrective Action Plan is to request from the INDOT that all suspension and debarment language be present in documentation to be signed by the County Commissioners prior to execution of any documentation. The County will review all documentation from INDOT regarding this language prior to signature to ensure language has been added.

Timeframe: Immediate. Upon receipt of any INDOT forms, a review will take place regarding required language to ensure compliance.

Sincerely



Don Lopp

Director of Operations and County Planning

COUNTY HIGHWAY
FLOYD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 21, 2017, with Don M. Lopp, Director of Operations and County Planning.

The contents of this report were also discussed on July 17, 2017, with Brad Striegel, President of County Council, and John J. Schellenberger, County Commissioner.

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COUNTY PROSECUTING ATTORNEY
FLOYD COUNTY

COUNTY PROSECUTING ATTORNEY
FLOYD COUNTY
FEDERAL FINDINGS

***FINDING 2015-007 - ACTIVITIES ALLOWED OR UNALLOWED
AND 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): N/A
Pass-Through Entity: Indiana Department of Child Services
Audit Findings: Material Weakness, Other Matter/Modified Opinion

Repeat Finding

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

Condition

An effective internal control system was not in place for the County Prosecuting Attorney and Courts to ensure compliance with requirements pertaining to Activities Allowed or Unallowed and Allowable Costs/Cost Principles.

Amounts were charged to the program during the audit period that were determined to be for unallowable activities and unallowable costs.

Context

Construction renovation costs incurred by the County Prosecuting Attorney of \$106,353 were paid from Prosecutor IV-D Incentive funds that were considered unallowable activities of the program. Expenditures of this nature are not considered eligible for funding under the IV-D program and require prior approval from the Commissioner of the Office of Child Support Enforcement. In addition, costs of \$1,018 for cell phones were claimed for reimbursement from program funds by the County Prosecuting Attorney's office without documentation supporting how the costs were properly allocated in relationship to other non-child support related functions of the department.

The County appropriated and disbursed Court IV-D Incentive funds for autopsies and law books in the amounts of \$18,890 and \$7,789, respectively, on December 10, 2015. After these amounts were questioned by the third-party vendor that prepared the County's Cost Allocation Plan, the County later reimbursed \$18,000 of the amount expended for autopsies in September of 2016. The remaining amounts were considered unallowable activities of the program, since no documentation was presented by the County to show that these expenses pertained to Child Support Enforcement.

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 PROSECUTING ATTORNEY
FLOYD COUNTY
FEDERAL FINDINGS
(Continued)

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). . . ."

Circular A-87, attachment A, Paragraph C, item 3(a), states: "A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received."

2 CFR 200.405 states in part:

"(a) A cost is allocable to a particular Federal award or other cost objective if the good or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:

- (1) Is incurred specifically for the Federal award:
- (2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
- (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart. . . .

(d) Direct cost allocation principles. If a cost benefits two or more project or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more project or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefited project on any reasonable documented basis. . . ."

45 CFR 304.23 states in part:

"Federal financial participation at the applicable matching rate is not available for: . . .

- (c) Construction and major renovations. . . ."

45 CFR 305.35(f) states: "Request for approval of expending incentives on activities not currently eligible for funding under the IV-D program, must be submitted in accordance with instructions issued by the Commissioner of the Office of the Child Support Enforcement."

COUNTY PROSECUTING ATTORNEY
FLOYD COUNTY
FEDERAL FINDINGS
(Continued)

Cause

Management of the County had not designed or implemented internal control procedures to ensure compliance with requirements related to Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

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

Costs in the amount of \$116,050 were identified as questioned costs.

Recommendation

We recommended that the County establish internal controls related to the grant agreement and compliance requirements pertaining to Activities Allowed or Unallowed and Allowable Costs/Cost Principles, including adopting a process to review allowable uses of IV-D Incentive funds prior to appropriation and disbursement of monies from those funds.

Views of Responsible Officials

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

Auditor's Response

Guidance from the Department of Child Services and 45 CFR 304.23 specifically states that construction and major renovations are not activities that are currently eligible for funding with Incentive funds. Although phone expenses could be an allowable cost to the program, 2 CFR 200.405 states that when a cost benefits both the Federal award and other work of the nonfederal award they can be distributed in proportions that may be approximated using reasonable methods. The phone expense was associated with an employee that was not paid from the Child Support Enforcement program and no basis for allocation was presented for audit.

FINDING 2015-008 - 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): N/A
Pass-Through Entity: Indiana Department of Child Services
Audit Findings: Material Weakness, Other Matter/Modified Opinion

Repeat Finding

This is a repeat finding from the immediate prior year. The prior year finding number was 2014-004.

COUNTY PROSECUTING ATTORNEY
FLOYD COUNTY
FEDERAL FINDINGS
(Continued)

Condition

An effective internal control system was not in place for the Clerk of the Circuit Court's office, County Prosecuting Attorney's office, and the Courts to ensure compliance with Allowable Costs/Cost Principle requirements related to time and effort for the program.

Procedures were not in place to properly document time and effort related to salaries charged to the grant program.

Context

A third-party contractor conducted a time study of the County's Courts (Circuit, Magistrate, Superior 1 and Superior III) prior to implementing the Court Title IV-D program. The time study identified which court employees worked on IV-D cases and the percentage of time devoted to IV-D activities. Through this methodology, the third-party contractor applied calculated IV-D percentages to total IV-D employee payroll each month and the amounts were then included within the Court's Monthly Record of Monthly Time and Monthly Expense Claim for Title IV-D. No evidence was presented to indicate compensating controls to ensure that all personal services submitted for reimbursement had been incurred and paid prior to requesting reimbursement.

The County Prosecuting Attorney's office submitted Monthly Expense Claim IV-D forms, throughout the audit period, that included personal services expenses. There was no evidence presented for audit documenting the employees' time and effort related to child support enforcement activities.

The Clerk of the Circuit Court's office paid two employees' compensation and fringe benefits with Clerk IV-D Incentive funds. There was no evidence presented for audit documenting the employees' time and effort related to child support enforcement activities.

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. . . ."

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). . . ."

COUNTY PROSECUTING ATTORNEY
FLOYD COUNTY
FEDERAL FINDINGS
(Continued)

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 at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

(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. . . ."

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Cause

Management of the County had not designed or implemented internal control procedures to ensure compliance with requirements related to Allowable Costs/Cost Principles.

COUNTY PROSECUTING ATTORNEY
FLOYD 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 Cost

There were no questioned costs identified.

Recommendation

We recommended that the Clerk of the Circuit Court's office, County Prosecuting Attorney's office, and the Courts established internal controls, including segregation of duties, related to the grant agreement and requirements that pertain to 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.

Auditor's Response

Although we agree that it is not required that a supervisory official review and approve the Record of Monthly Time, OMB Circular A-87, Attachment B, item 8h(5) does specifically state that the personnel activity reports or equivalent record (Record of Monthly Time) must be signed by the employee. If no control is in place to ensure that the Record of Monthly Time has been signed by each employee, an internal control deficiency is deemed to exist.



Child Support Division
(812) 948-5475
Fax (812) 941-4736

Keith A. Henderson
Prosecuting Attorney
52nd Judicial Circuit

Criminal Division
(812) 948-5422
Fax (812) 948-5492

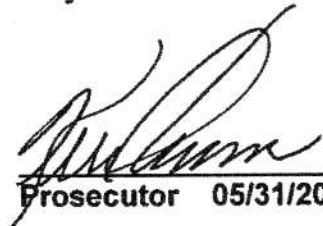
CORRECTIVE ACTION PLAN

I have met and discussed these issues with two auditors from the State Board of Accounts.

Finding 2015-007 - I disagree with the proposition that expenditures of Prosecutor IV-D Incentive funds are unallowable activities of the program when used for remodeling of child support work space. I do agree that certain remodeling expenditures require pre-approval from the State Child Support Bureau prior to commencement. As to phone expenditures, I disagree that due to time and effort, phone costs should be itemized to determine percentage breakdown.

Finding 2015-008 - Beginning in 2016, the Prosecutor's Office documented time and effort of full time IV-D Child Support employees. This documentation was executed semi-annually.

As to time and effort of employees working in Child Support and other activities of the Prosecutor's Office, the Prosecutor's Office will attempt to define the separation of costs through the allocation of the employee's salary commiserate with their assigned responsibilities.


Prosecutor 05/31/2017

COUNTY PROSECUTING ATTORNEY
FLOYD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 21, 2017, with Keith A. Henderson, County Prosecuting Attorney.

The contents of this report were also discussed on July 17, 2017, with Brad Striegel, President of County Council, and John J. Schellenberger, County Commissioner.

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COUNTY CIRCUIT COURT JUDGE
FLOYD COUNTY

COUNTY CIRCUIT COURT JUDGE
FLOYD COUNTY
FEDERAL FINDINGS

***FINDING 2015-007 - ACTIVITIES ALLOWED OR UNALLOWED
AND 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): N/A
Pass-Through Entity: Indiana Department of Child Services
Audit Findings: Material Weakness, Other Matter/Modified Opinion

Repeat Finding

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

Condition

An effective internal control system was not in place for the County Prosecuting Attorney and Courts to ensure compliance with requirements pertaining to Activities Allowed or Unallowed and Allowable Costs/Cost Principles.

Amounts were charged to the program during the audit period that were determined to be for unallowable activities and unallowable costs.

Context

Construction renovation costs incurred by the County Prosecuting Attorney of \$106,353 were paid from Prosecutor IV-D Incentive funds that were considered unallowable activities of the program. Expenditures of this nature are not considered eligible for funding under the IV-D program and require prior approval from the Commissioner of the Office of Child Support Enforcement. In addition, costs of \$1,018 for cell phones were claimed for reimbursement from program funds by the County Prosecuting Attorney's office without documentation supporting how the costs were properly allocated in relationship to other non-child support related functions of the department.

The County appropriated and disbursed Court IV-D Incentive funds for autopsies and law books in the amounts of \$18,890 and \$7,789, respectively, on December 10, 2015. After these amounts were questioned by the third-party vendor that prepared the County's Cost Allocation Plan, the County later reimbursed \$18,000 of the amount expended for autopsies in September of 2016. The remaining amounts were considered unallowable activities of the program, since no documentation was presented by the County to show that these expenses pertained to Child Support Enforcement.

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 CIRCUIT COURT JUDGE
FLOYD COUNTY
FEDERAL FINDINGS
(Continued)

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). . . ."

Circular A-87, attachment A, Paragraph C, item 3(a), states: "A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received."

2 CFR 200.405 states in part:

"(a) A cost is allocable to a particular Federal award or other cost objective if the good or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:

- (4) Is incurred specifically for the Federal award:
- (5) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
- (6) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart. . . .

(e) Direct cost allocation principles. If a cost benefits two or more project or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more project or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefited project on any reasonable documented basis. . . ."

45 CFR 304.23 states in part:

"Federal financial participation at the applicable matching rate is not available for: . . .

(c) Construction and major renovations. . . ."

45 CFR 305.35(f) states: "Request for approval of expending incentives on activities not currently eligible for funding under the IV-D program, must be submitted in accordance with instructions issued by the Commissioner of the Office of the Child Support Enforcement."

COUNTY CIRCUIT COURT JUDGE
FLOYD COUNTY
FEDERAL FINDINGS
(Continued)

Cause

Management of the County had not designed or implemented internal control procedures to ensure compliance with requirements related to Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

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

Costs in the amount of \$116,050 were identified as questioned costs.

Recommendation

We recommended that the County establish internal controls related to the grant agreement and compliance requirements pertaining to Activities Allowed or Unallowed and Allowable Costs/Cost Principles, including adopting a process to review allowable uses of IV-D Incentive funds prior to appropriation and disbursement of monies from those funds.

Views of Responsible Officials

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

Auditor's Response

Guidance from the Department of Child Services and 45 CFR 304.23 specifically states that construction and major renovations are not activities that are currently eligible for funding with Incentive funds. Although phone expenses could be an allowable cost to the program, 2 CFR 200.405 states that when a cost benefits both the Federal award and other work of the nonfederal award they can be distributed in proportions that may be approximated using reasonable methods. The phone expense was associated with an employee that was not paid from the Child Support Enforcement program and no basis for allocation was presented for audit.

FINDING 2015-008 - 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): N/A
Pass-Through Entity: Indiana Department of Child Services
Audit Findings: Material Weakness, Other Matter/Modified Opinion

Repeat Finding

This is a repeat finding from the immediate prior year. The prior year finding number was 2014-004.

COUNTY CIRCUIT COURT JUDGE
FLOYD COUNTY
FEDERAL FINDINGS
(Continued)

Condition

An effective internal control system was not in place for the Clerk of the Circuit Court's office, County Prosecuting Attorney's office, and the Courts to ensure compliance with Allowable Costs/Cost Principle requirements related to time and effort for the program.

Procedures were not in place to properly document time and effort related to salaries charged to the grant program.

Context

A third-party contractor conducted a time study of the County's Courts (Circuit, Magistrate, Superior 1 and Superior III) prior to implementing the Court Title IV-D program. The time study identified which court employees worked on IV-D cases and the percentage of time devoted to IV-D activities. Through this methodology, the third-party contractor applied calculated IV-D percentages to total IV-D employee payroll each month and the amounts were then included within the Court's Monthly Record of Monthly Time and Monthly Expense Claim for Title IV-D. No evidence was presented to indicate compensating controls to ensure that all personal services submitted for reimbursement had been incurred and paid prior to requesting reimbursement.

The County Prosecuting Attorney's office submitted Monthly Expense Claim IV-D forms, throughout the audit period, that included personal services expenses. There was no evidence presented for audit documenting the employees' time and effort related to child support enforcement activities.

The Clerk of the Circuit Court's office paid two employees' compensation and fringe benefits with Clerk IV-D Incentive funds. There was no evidence presented for audit documenting the employees' time and effort related to child support enforcement activities.

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. . . ."

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). . . ."

COUNTY CIRCUIT COURT JUDGE
FLOYD COUNTY
FEDERAL FINDINGS
(Continued)

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 at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

(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:

- (f) More than one Federal award,
- (g) A Federal award and a non-Federal award,
- (h) An indirect cost activity and a direct cost activity,
- (i) Two or more indirect activities which are allocated using different allocation bases, or
- (j) An unallowable activity and a direct or indirect cost activity. . . ."

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (iv) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (v) Be incorporated into the official records of the non-Federal entity
- (vi) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Cause

Management of the County had not designed or implemented internal control procedures to ensure compliance with requirements related to Allowable Costs/Cost Principles.

COUNTY CIRCUIT COURT JUDGE
FLOYD 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 Cost

There were no questioned costs identified.

Recommendation

We recommended that the Clerk of the Circuit Court's office, County Prosecuting Attorney's office, and the Courts established internal controls, including segregation of duties, related to the grant agreement and requirements that pertain to 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.

Auditor's Response

Although we agree that it is not required that a supervisory official review and approve the Record of Monthly Time, OMB Circular A-87, Attachment B, item 8h(5) does specifically state that the personnel activity reports or equivalent record (Record of Monthly Time) must be signed by the employee. If no control is in place to ensure that the Record of Monthly Time has been signed by each employee, an internal control deficiency is deemed to exist.

FLOYD CIRCUIT COURT

52ND JUDICIAL CIRCUIT

Room 417 City County Building

311 Hauss Square

New Albany, Indiana 41720

Telephone: (812) 948-5455

Fax: (812) 948-4735

J. TERRENCE CODY, JUDGE

CORRECTIVE ACTION PLAN

Mr. M. Scott Shireman
Audit Manager
Indiana State Board of Accounts

Ms. Tammy R. White, CPA
Deputy State Examiner
Indiana State Board of Accounts

FINDING 2015-007

Contact Person Responsible for Corrective Action:
Hon. J. Terrence Cody

Contact Phone Number:
(812) 948-5455

Description of Corrective Action Plan:

The Floyd County Courts accept amended finding 2015-007 particularly as to the second (2nd) paragraph under the heading "context". The Courts requested an additional appropriation for law books in the amount of \$18,890.00 from the County General Fund. The Floyd County Council instead appropriated the money improperly from Court IV-D Incentive funds based on advice from its attorney. The Court's corrective action plan is to only submit claims to be paid from Court IV-D Incentive Funds that are allowable for child support enforcement. If the County Council attempts to appropriate funds for payment of claims from Court IV-D Incentive Funds that are not allowable for child support enforcement, it would be the Court's duty to advise the Council accordingly if there is an opportunity to do so.

FINDING 2015-008

Contact Person Responsible for Corrective Action:
Hon. J. Terrence Cody.

Contact Phone Number:
(812) 948-5455

Description of Corrective Action Plan:

Although not agreeing that it is necessary that a Court employee or other supervisory official (Floyd County Judges and Magistrate) must review and approve Record of Monthly

Time to ensure that all personal services submitted for reimbursement had been incurred and paid prior to requesting reimbursement as all Indiana Department of Child Services procedures in the submission of claims are presently being complied with and further disputing there is not an effective internal control system in place, the following corrective action has been taken and initiated: The Judge of the Floyd Circuit Court or one (1) of the Judges of the Floyd Superior Courts or the Floyd County Magistrate will verify that employee time sheets submitted with the monthly claim for reimbursement to the Indiana Department of Child Services are accurate. This process began with claims filed on or after January 1, 2016. In addition thereto, to verify accuracy Court employees did a time track for the period beginning October 17, 2016 through October 28, 2016. To further verify accuracy, beginning January 1, 2017 Court employees will time track three (3) times per year for a two (2) week period in February, Late July-early August and late October-early November. This process will be repeated each calendar year. The Floyd County Judges and Magistrate will review the time tracks after completion to further verify accuracy.

J. Terence Cody
(Signature)

JUDGE, FLOYD CIRCUIT COURTS
(Title)

JULY 13, 2017
(Date)

COUNTY CIRCUIT COURT JUDGE
FLOYD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 17, 2017, with Honorable J. Terrence Cody, Circuit Court Judge; Brad Striegel, President of County Council; and John J. Schellenberger, County Commissioner.

COUNTY COUNCIL
FLOYD COUNTY

COUNTY COUNCIL
FLOYD COUNTY
AUDIT RESULT AND COMMENT

APPROPRIATIONS

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

<u>Fund</u>	<u>Excess Amount Expended</u>
General	\$ 1,167,087
Local Road and Street	125,846

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 COUNCIL
FLOYD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 17, 2017, with Brad Striegel, President of the County Council, and John J. Schellenberger, County Commissioner.