

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BARTHOLOMEW COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
09/15/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Barbara J. Hackman	01-01-11 to 12-31-18
County Treasurer	Pia M. O'Connor	01-01-11 to 12-31-18
Clerk of the Circuit Court	Tami Hines Jay Phelps	01-01-11 to 12-31-14 01-01-15 to 12-31-18
County Sheriff	Mark E. Gorbett Matt Myers	01-01-11 to 12-31-14 01-01-15 to 12-31-18
County Recorder	Anita L. Hole	01-01-11 to 12-31-18
President of the Board of County Commissioners	Carl H. Lienhoop Larry S. Kleinhenz Richard A. Flohr Carl H. Lienhoop	01-01-14 to 12-31-14 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	Jorge R. Morales Evelyn Strietelmeier Pence Bill Lentz Laura DeDomenic	01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF BARTHOLOMEW COUNTY, INDIANA

This report is supplemental to our audit report of Bartholomew County (County), for the period from January 1, 2014 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the County, which provides our opinions on the County's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

July 24, 2017

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COUNTY AUDITOR
BARTHOLOMEW COUNTY

COUNTY AUDITOR
BARTHOLOMEW COUNTY
FEDERAL FINDINGS

FINDING 2014-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediate prior year. The prior year finding number was 2013-001.

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).

Context

The SEFA contained the following errors:

1. Federal expenditures for five programs were overstated.
2. Federal expenditures for three programs were understated.
3. One federal program was incorrectly omitted.
4. One grant did not correctly identify the pass-through entity.
5. One grant was incorrectly listed as pass-through to subrecipient.
6. Six grants listed the wrong pass-through entity identifying number.

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.

COUNTY AUDITOR
BARTHOLOMEW COUNTY
FEDERAL FINDINGS
(Continued)

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

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

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

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

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Cause

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

COUNTY AUDITOR
BARTHOLOMEW COUNTY
FEDERAL FINDINGS
(Continued)

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 *Context*.

Recommendation

We recommended that the County's management establish controls to prevent, or detect and correct, errors on the SEFA.

Views of Responsible Officials

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

FINDING 2014-003

Subject: Internal Controls over Financial Transactions and Reporting
Audit Findings: Material Weakness, Other Matters

Repeat Finding

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

Condition

The following deficiencies in the internal control system of the County related to financial transactions and reporting were noted:

Annual Financial Report

The financial information recorded in the County's Annual Financial Report was not properly reviewed and verified to prevent, or detect and correct, errors on the financial statements.

The County Treasurer failed to prepare and submit to the County Auditor a supplemental Annual Financial Report showing receipt of the after settlement collections as reflected on the County Treasurer's Cash Book at December 31, 2014.

Payroll Transactions

The following deficiencies related to payroll were noted:

1. Lack of Segregation of Duties: One employee was responsible for calculating and remitting all employee and employer benefit payments. This employee also prepared and remitted the quarterly and annual tax withholding reports. No documentation was presented indicating a review by another employee or other compensating control.
2. Payroll claims were not certified by the County Auditor.
3. The vendor claims for employee benefits (PERF Retirement and Employee Health Benefit health insurance), were not certified by the County Auditor or approved by the Board of County Commissioners.

COUNTY AUDITOR
BARTHOLOMEW COUNTY
FEDERAL FINDINGS
(Continued)

Self-Insurance Fund Transactions

The County contracted with a third-party administrator (TPA) to administer the County's self-insured health insurance fund (Dunn & Associates Insurance fund). One employee of the County Auditor's office was responsible for preparing the journal entries and making the transfers from the various paying funds to the self-insurance funds held by the TPA. The County Auditor did not certify these disbursements nor were they presented to the Board of County Commissioners for approval.

The TPA provided the County with monthly reports, ledger, and other information, but did not provide a detailed check register to support the disbursement amounts from the self-insurance funds. There was no evidence of a control, such as an oversight, review, or approval process of the various reports.

Context

Annual Financial Report

1. After March 2014, receipts and disbursements of the payroll deductions and net pay funds were not recorded. As a result, the receipt and disbursement transactions reported in both the County's ledger and financial statement were understated by \$12,750,601.
2. Receipts and disbursements of the County's Dunn & Associates Insurance fund were understated by \$657,938, and \$730,482, respectively.
3. Receipts and disbursements of the Final Excise Tax Cut Replacement Due State fund in the amount of \$2,744,402 were omitted from the financial statement.
4. The County Treasurer failed to prepare and submit to the County Auditor a supplemental Annual Financial Report showing receipt of the after settlement collections as reflected on the County Treasurer's Cash Book at December 31, 2014. As a result, the receipts, disbursements, and ending cash and investment balance of the County Treasurer fund was understated by \$2,209,559, \$1,948,689, and \$260,870, respectively.

Audit adjustments were proposed, approved by the County Auditor, and made to the County's 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.

COUNTY AUDITOR
BARTHOLOMEW COUNTY
FEDERAL FINDINGS
(Continued)

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."

Indiana Code 5-11-10-1.6(c) states:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Cause

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

Effect

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

Recommendation

We recommended that the County's management establish and implement effective internal controls, including segregation of duties, over financial transactions and reporting.

Views of Responsible Officials

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

COUNTY AUDITOR
BARTHOLOMEW COUNTY
FEDERAL FINDINGS
(Continued)

FINDING 2014-006

Subject: Internal Controls over Special Supplemental Nutrition Program for Women, Infants, and Children
Federal Agency: Department of Agriculture
Federal Program: Special Supplemental Nutrition Program for Women, Infants, and Children
CFDA Number: 10.557
Federal Award Numbers and Years (or Other Identifying Numbers): A-70-4-070562, A-70-4-070609
Pass-Through Entity: Indiana State Department of Health
Compliance Requirements: Cash Management, Period of Availability of Federal Funds, Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a similar finding from the immediate prior year. The prior year finding number was 2013-002.

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 requirements: Cash Management, Period of Availability of Federal Funds, and Reporting.

The WIC office had one employee primarily responsible to ensure the County was in compliance with the grant agreement and the compliance requirements listed above. There was no evidence to suggest proper segregation of duties such as an oversight, review or approval process, or other compensating controls.

The requests for reimbursement were not reviewed and approved by someone other than the preparer to ensure amounts requested complied with the grant agreement and the compliance requirements for Cash Management and Period of Availability of Federal Funds compliance requirements.

The required program reports were not reviewed and approved by someone other than the preparer to ensure the reports were accurate and correct and complied with the grant agreements and the Reporting compliance requirement.

Context

There were no controls over these compliance requirements during the entire audit period.

Criteria

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

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

Cause

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

COUNTY AUDITOR
BARTHOLOMEW COUNTY
FEDERAL FINDINGS
(Continued)

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2014-007

Subject: Special Supplemental Nutrition Program for Women, Infants, and Children - Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Program: Special Supplemental Nutrition Program for Women, Infants, and Children
CFDA Number: 10.557
Federal Award Numbers and Years (or Other Identifying Numbers): A-70-4-070562, A-70-4-070609
Pass-Through Entity: Indiana State Department of Health
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a similar finding from the immediate prior year. The prior year finding number was 2013-003.

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 Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

The requests for reimbursement were not reviewed and approved by someone other than the preparer to ensure amounts requested complied with the grant agreement and the Activities Allowed or Unallowed compliance requirement.

COUNTY AUDITOR
BARTHOLOMEW COUNTY
FEDERAL FINDINGS
(Continued)

The WIC office was required to maintain Semi-Annual Certifications and Personnel Activity Reports on all full and part-time employees paid from the grant. These reports were not maintained.

The County payroll was not certified by the County Auditor. The vendor claims for employee benefits (PERF Retirement and Employee Health Benefit health insurance) were not certified by the County Auditor and approved by the Board of County Commissioners to ensure amounts charged to the program for payroll and employee benefits complied with the grant agreement and requirements for Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Context

There was a lack of controls for the entire audit period. There were no certifications or reports being maintained for employees during the entire audit period.

Criteria

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

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

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

". . . (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared 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 200.302(a) states in part: "Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. . . ."

COUNTY AUDITOR
BARTHOLOMEW COUNTY
FEDERAL FINDINGS
(Continued)

Indiana Code 5-11-10-1.6(c) states in part:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Cause

Management had not developed a system of internal controls that would have ensured the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements were met.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the WIC office establish internal controls related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Views of Responsible Officials

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



CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for Corrective Action: Barbara J Hackman

Contact Phone Number: 812-379-1510

Views of Responsible Official:

I agreed with the findings but want to acknowledge that the SBOA did not provide their minimum level of internal control standards and guidance manual until late in 2015. I don't feel that you can expect a unit to meet the criteria on your findings when they were not in place in the year being audited.

Description of Corrective Action Plan:

We are in the process of implementing proper Internal Controls set by the SBOA in their 2015 guidance manual, Uniform Internal Control Standards for Indiana Political Subdivisions, which our County Commissioners have adopted in 2016 as required.

The required training of personnel concerning internal control standards and procedures has been implemented and certifications are available in my office for review.

We will continue to meet the required aspects of the Internal Control Standards and will put into place a proper system that will be helpful in creating efficiencies so that any errors are detected and corrective measures are made as needed.

Anticipated Completion Date: Completed



(Signature)

AUDITOR
(Title)

JULY 19, 2017
(Date)



CORRECTIVE ACTION PLAN

FINDING 2014-003

Contact Person Responsible for Corrective Action: Barbara J Hackman

Contact Phone Number: 812-379-1510

Views of Responsible Official:

I agreed with the findings but want to acknowledge that the SBOA did not provide their minimum level of internal control standards and guidance manual until late in 2015. I don't feel that you can expect a unit to meet the criteria on your findings when they were not in place in the year being audited.

Description of Corrective Action Plan:


We are in the process of implementing proper Internal Controls set by the SBOA in their 2015 guidance manual, Uniform Internal Control Standards for Indiana Political Subdivisions, which our County Commissioners have adopted in 2016 as required.

The required training of personnel concerning internal control standards and procedures has been implemented and certifications are available in my office for review.

We will continue to meet the required aspects of the Internal Control Standards and will put into place a proper system that will be helpful in creating efficiencies so that any errors are detected and corrective measures are made as needed.

Proper certification for reporting of payroll claims, vendor claims for employee benefits and the self-insurance fund by the Auditor and County Commissioners has been implemented.

Anticipated Completion Date: Completed



(Signature)

AUDITOR
(Title)

JULY 19, 2017
(Date)



CORRECTIVE ACTION PLAN

FINDING 2014-006

FINDING 2014-007

Contact Person Responsible for Corrective Action: Barbara J Hackman
Contact Phone Number: 812-379-1510

Views of Responsible Official:

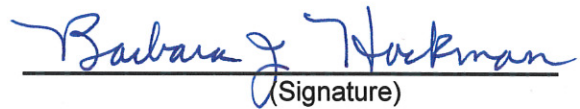
See below

Description of Corrective Action Plan:

The Supplemental Nutrition Program for Women, Infants and Children for which this finding addresses was taken over by a Private Corporation on April 1, 2014.

The County Health Department no longer has the contract for this Federal WIC Grant.

Anticipated Completion Date: N/A



(Signature)

AUDITOR

(Title)

JULY 19, 2017

(Date)

COUNTY AUDITOR
BARTHOLOMEW COUNTY
AUDIT RESULT AND COMMENT

COUNTY PRESCRIBED CHART OF ACCOUNTS

The County did not implement the new chart of accounts prescribed by the Indiana State Board of Accounts as required by January 1, 2013.

A similar comment was in the prior Report B44238.

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

All counties must implement the use of the new chart of accounts by January 1, 2012. (The County Bulletin and Uniform Compliance Guidelines, January 2011)

The deadline has been extended to January 1, 2013. (The County Bulletin and Uniform Compliance Guidelines, January 2012)

COUNTY AUDITOR
BARTHOLOMEW COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 24, 2017, with Barbara J. Hackman, County Auditor; Sandra Beatty, Chief Deputy County Auditor; Carl H. Lienhoop, President of the Board of County Commissioners; and Laura DeDomenic, President of the County Council.

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COUNTY TREASURER
BARTHOLOMEW COUNTY

COUNTY TREASURER
BARTHOLOMEW COUNTY
FEDERAL FINDING

FINDING 2014-003

Subject: Internal Controls over Financial Transactions and Reporting
Audit Findings: Material Weakness, Other Matters

Repeat Finding

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

Condition

The following deficiencies in the internal control system of the County related to financial transactions and reporting were noted:

Annual Financial Report

The financial information recorded in the County's Annual Financial Report was not properly reviewed and verified to prevent, or detect and correct, errors on the financial statements.

The County Treasurer failed to prepare and submit to the County Auditor a supplemental Annual Financial Report showing receipt of the after settlement collections as reflected on the County Treasurer's Cash Book at December 31, 2014.

Payroll Transactions

The following deficiencies related to payroll were noted:

1. Lack of Segregation of Duties: One employee was responsible for calculating and remitting all employee and employer benefit payments. This employee also prepared and remitted the quarterly and annual tax withholding reports. No documentation was presented indicating a review by another employee or other compensating control.
2. Payroll claims were not certified by the County Auditor.
3. The vendor claims for employee benefits (PERF Retirement and Employee Health Benefit health insurance), were not certified by the County Auditor or approved by the Board of County Commissioners.

Self-Insurance Fund Transactions

The County contracted with a third-party administer (TPA) to administer the County's self-insured health insurance fund (Dunn & Associates Insurance fund). One employee of the County Auditor's office was responsible for preparing the journal entries and making the transfers from the various paying funds to the self-insurance funds held by the TPA. The County Auditor did not certify these disbursements nor were they presented to the Board of County Commissioners for approval.

The TPA provided the County with monthly reports, ledger, and other information, but did not provide a detailed check register to support the disbursement amounts from the self-insurance funds. There was no evidence of a control, such as an oversight, review, or approval process of the various reports.

COUNTY TREASURER
BARTHOLOMEW COUNTY
FEDERAL FINDING
(Continued)

Context

Annual Financial Report

1. After March 2014, receipts and disbursements of the payroll deductions and net pay funds were not recorded. As a result, the receipt and disbursement transactions reported in both the County's ledger and financial statement were understated by \$12,750,601.
2. Receipts and disbursements of the County's Dunn & Associates Insurance fund were understated by \$657,938, and \$730,482, respectively.
3. Receipts and disbursements of the Final Excise Tax Cut Replacement Due State fund in the amount of \$2,744,402 were omitted from the financial statement.
4. The County Treasurer failed to prepare and submit to the County Auditor a supplemental Annual Financial Report showing receipt of the after settlement collections as reflected on the County Treasurer's Cash Book at December 31, 2014. As a result, the receipts, disbursements, and ending cash and investment balance of the County Treasurer fund was understated by \$2,209,559, \$1,948,689, and \$260,870, respectively.

Audit adjustments were proposed, approved by the County Auditor, and made to the County's 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. . . ."

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 TREASURER
BARTHOLOMEW COUNTY
FEDERAL FINDING
(Continued)

Indiana Code 5-11-10-1.6(c) states:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Cause

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

Effect

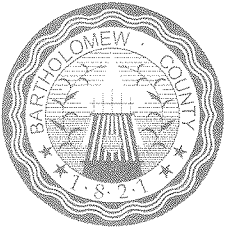
The failure to establish effective controls enabled material misstatements or irregularities to remain undetected.

Recommendation

We recommended that the County's management establish and implement effective internal controls, including segregation of duties, over financial transactions and reporting.

Views of Responsible Officials

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



BARTHLOMEW COUNTY TREASURER

PIA O'CONNOR, TREASURER
KARI SPURGEON, CHIEF DEPUTY

CORRECTIVE ACTION PLAN

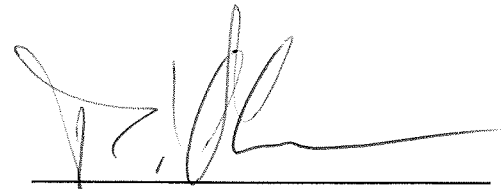
FINDING 2014-003

Contact Person Responsible for Corrective Action: Pia O'Connor and Dianna Robertson
Contact Phone Number: 812-371-6100

Views of Responsible Official: I concur with the finding

Description of Corrective Action Plan: The accountant in the Treasurer's office will complete the report and it will be reviewed and submitted by the Treasurer.

Anticipated Completion Date: The previous year reports have been completed. Future reports will be completed in a timely manner.



(Signature)

Treasurer

(Title)

7-12-17

(Date)

COUNTY TREASURER
BARTHOLOMEW COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 24, 2017, with Pia M. O'Connor, County Treasurer; Dianna Robertson, Bookkeeper; Barbara J. Hackman, County Auditor; Sandra Beatty, Chief Deputy County Auditor; Carl H. Lienhoop, President of the Board of County Commissioners; and Laura DeDomenic, President of the County Council.

CLERK OF THE CIRCUIT COURT
BARTHOLOMEW COUNTY

CLERK OF THE CIRCUIT COURT
BARTHOLOMEW COUNTY
FEDERAL FINDING

FINDING 2014-002

Subject: Internal Controls over Financial Transactions and Reporting - Clerk of the Circuit Court
Audit Finding: Material Weakness

Repeat Finding

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

Condition

The Clerk of the Circuit Court had not separated incompatible activities related to receipts, disbursements, and cash balances. One individual was responsible for preparing and making bank deposits, reconciling daily cash collections, preparing ISETS bank account reconciliations, recording receipt and disbursements transactions in the ledger, recording adjustments in the ledger, and issuing checks.

Context

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

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.

CLERK OF THE CIRCUIT COURT
BARTHOLOMEW COUNTY
FEDERAL FINDING
(Continued)

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

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

Cause

The Clerk of the Circuit Court had not established a proper system of internal controls.

Effect

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

Recommendation

We recommended that the County establish and implement effective internal controls, including segregation of duties, over financial transactions and reporting.

Views of Responsible Officials

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



JAY PHELPS
BARTHOLOMEW CIRCUIT / SUPERIOR COURT CLERK
234 WASHINGTON STREET
COURTHOUSE P.O. BOX 924
COLUMBUS, INDIANA 47201
(812) 379-1600

CORRECTIVE ACTION PLAN

FINDING 2014-002

Contact Person Responsible for Corrective Action: Jay Phelps
Contact Phone Number: (812) 379-1600

Views of Responsible Official: We concur with the finding, although the office had a different case management system and I was not in office prior to January 1st, 2015.

Description of Corrective Action Plan: To minimize risk among duties related to daily and monthly reconciliation, preparing deposits, and disbursing checks, etc. The Bartholomew County Clerk of the Circuit Court will begin having another employee review and initial the financial reports prepared by the Chief Deputy Clerk. The Clerk of the Circuit Court will also review and initial all ISETS financial reports prepared by the Child Support Payment Supervisor. This will establish a system of internal controls that will diminish the possibility of irregularities going undetected or unnoticed.

Anticipated Completion Date: 07/01/17



(Signature)

County Clerk

(Title)

07/05/2017

(Date)

CLERK OF THE CIRCUIT COURT
BARTHOLOMEW COUNTY
AUDIT RESULT AND COMMENT

DEPOSITS NOT MADE INTACT

Instances were noted in which collections were not always deposited in the same form as noted on the receipt. Of the 20 days tested, there were discrepancies on 10 days between the form of collections (i.e., cash or check) noted on the receipt register and the actual bank deposit slip. The total amount deposited agreed with the total collections per the daily receipt ledger for each of these days. Sometimes the bank deposit slip showed more cash being deposited and less checks being deposited than the amount shown for each type on the daily receipt register; and other times less cash and more checks deposited.

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

CLERK OF THE CIRCUIT COURT
BARTHOLOMEW COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 24, 2017 ,with Tami Hines, former Clerk of the Circuit Court; Dustin Renner, Chief Deputy Clerk of the Circuit Court; Julie Robertson, Clerk of the Circuit Court's Office Manager; Barbara J. Hackman, County Auditor; Sandra Beatty, Chief Deputy County Auditor; Carl H. Lienhoop, President of the Board of County Commissioners; and Laura DeDomenic, President of the County Council.

BOARD OF COUNTY COMMISSIONERS
BARTHOLOMEW COUNTY

BOARD OF COUNTY COMMISSIONERS
BARTHOLOMEW COUNTY
FEDERAL FINDING

FINDING 2014-004

Subject: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii - Davis-Bacon Act and Procurement and Suspension and Debarment
Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii
CFDA Number: 14.228
Federal Award Number and Year (or Other Identifying Number): CF-12-107
Pass-Through Entity: Indiana Office of Community and Rural Affairs
Compliance Requirements: Davis-Bacon Act, Procurement and Suspension and Debarment
Audit Finding: Material Weakness

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 Davis-Bacon Act and procurement requirements.

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

The Grant Administrator and Project Engineer were responsible for overseeing the construction contract bidding and contractor awarding procedures required by the procurement requirements. The County did not have procedures in place to review and approve the bidding and contract awarding procedures being performed by the Grant Administrator and Project Engineer.

Context

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

BOARD OF COUNTY COMMISSIONERS
BARTHOLOMEW COUNTY
FEDERAL FINDING
(Continued)

Criteria

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

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

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish and implement controls related to the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

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



Bartholomew County Commissioners

Governmental Office Building Suite 101
440 Third Street
Columbus, Indiana 47201

Phone (812) 379-1515
FAX (812) 379-1797

CORRECTIVE ACTION PLAN

FINDING 2014-004

Contact Person Responsible for Corrective Action: Barbara Hackman

Contact Phone Number: (812) 379-1510

Description of Corrective Action Plan:

Bartholomew County will be implementing the following procedures to insure there are proper internal controls over the monitoring and review of Davis-Bacon and other various parts of all grants.

1. A checklist will be created for all project files by the Grant Administrator.
2. The checklist will be completed during various parts of the Grant process including, but not limited to Davis-Bacon compliance.
3. The County Auditor and/or Chief Deputy along with the Department Head overseeing the project will meet at least monthly with the Grant Administrator to review pay applications, payrolls and all applicable financial data. All responsible parties will verify that the information is current and sign off.

The anticipated completion date is July 17, 2017.

Dated this 17th day of July, 2017.

BOARD OF COMMISSIONERS OF
BARTHOLOMEW COUNTY, INDIANA

Carl H. Lienhoop
Carl H. Lienhoop, Chairman

Richard A. Flohr
Richard A. Flohr, Member

Larry S. Kleinhenz
Larry S. Kleinhenz, Member

ATTEST:

By: Barbara J. Hackman
Barbara J. Hackman, Auditor
Bartholomew County, Indiana

BOARD OF COUNTY COMMISSIONERS
BARTHOLOMEW COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 24, 2017, with Barbara J. Hackman, County Auditor; Sandra Beatty, Chief Deputy County Auditor; Carl H. Lienhoop, President of the Board of County Commissioners; and Laura DeDomenic, President of the County Council.

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COUNTY HIGHWAY
BARTHOLOMEW COUNTY

COUNTY HIGHWAY
BARTHOLOMEW COUNTY
FEDERAL FINDING

FINDING 2014-005

Subject: Highway Planning and Construction - Procurement and Suspension and Debarment
Federal Agency: Department of Transportation
Federal Program: Highway Planning and Construction
CFDA Number: 20.205
Federal Award Numbers and Years (or Other Identifying Numbers): Des. No. 0500589, Des. No. 0501062
Pass-Through Entity: Indiana Department of Transportation
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

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 suspension and debarment requirements.

There were inadequate procedures established to ensure that the County was in compliance with the requirements for the Reconstruction of Bartholomew County Road 600 North utility relocation project, Des. No. 0501062 and Gas Line Relocation 600 North project, Des. No. 0500589.

Context

The County included a clause in their 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 do not include this clause. The County did not provide evidence for audit that they 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
BARTHOLOMEW 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 Procurement and Suspension and Debarment compliance requirement.

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 Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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



BARTHOLOMEW COUNTY HIGHWAY DEPARTMENT
2452 STATE STREET
COLUMBUS, INDIANA 47201
PHONE (812) 379-1660 FAX (812) 378-9480

CORRECTIVE ACTION PLAN

FINDING 2014-005

Contact Person Responsible for Corrective Action: Danny Hollander

Contact Phone Number: 812-379-1660

Views of Responsible Official: We concur with the findings regarding the Suspension and Debarment.

Description of Corrective Action Plan: Our new procedure will verify that the contractor, or other sub recipient of federal funds has not been suspended or debarred by checking for SAM Exclusions; or Collecting a certification from that person. This verification will be printed and signed, and verified by another person within the county, who will also sign off on the verification, prior to entering into an agreement. This procedure will take effect immediately.

Anticipated Completion Date: 6/21/2017

Danny D. Hollander
(Signature)

COUNTY ENGINEER
(Title)

7/13/2017
(Date)

COUNTY HIGHWAY
BARTHOLOMEW COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 24, 2017, with Danny Hollander, County Engineer; Barbara J. Hackman, County Auditor; Sandra Beatty, Chief Deputy County Auditor; Carl H. Lienhoop, President of the Board of County Commissioners; and Laura DeDomenic, President of the County Council.