

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

DELAWARE COUNTY, INDIANA

January 1, 2015 to December 31, 2015



FILED
09/20/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Steven Craycraft	01-01-15 to 12-31-18
County Treasurer	John Dorer (Vacant) Gary Campbell Edward E. Carroll, Jr.	01-01-13 to 02-23-15 02-24-15 to 03-06-15 03-07-15 to 12-31-16 01-01-17 to 12-31-20
Clerk of the Circuit Court	Mike King	01-01-15 to 12-31-18
County Sheriff	Michael Scroggins (deceased) (Vacant) Ray Dudley	01-01-11 to 05-15-15 05-16-15 to 06-03-15 06-04-15 to 12-31-18
President of the Board of County Commissioners	Sherry Riggin Shannon Henry James King	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	Chris Matchett Ron Quakenbush	01-01-15 to 12-31-16 01-01-17 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF DELAWARE COUNTY, INDIANA

This report is supplemental to our audit report of Delaware 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 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.

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

August 11, 2017

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COUNTY AUDITOR
DELAWARE COUNTY

COUNTY AUDITOR
DELAWARE COUNTY
FEDERAL FINDINGS

**FINDING 2015-001 - 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).

Due to the lack of controls, the following errors occurred on the SEFA:

1. Highway Planning and Construction Cluster expenditures were understated by \$159,712 due to a program being omitted.
2. The amount of two grants were reported incorrectly resulting in an overstatement of \$6,685.
3. Information such as grantor agency, program title, pass-through entity, Catalog of Federal Domestic Assistance (CFDA) number, and pass-through identifying number were either incorrectly reported or omitted for some grants.

Audit adjustments were proposed, accepted by the County, and made to the SEFA.

Criteria

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

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

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

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

2 CFR 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. . . ."

COUNTY AUDITOR
DELAWARE COUNTY
FEDERAL FINDINGS
(Continued)

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 that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

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

Effect

Because a proper system of internal control was not in place material misstatements of the SEFA remained undetected.

Views of Responsible Officials

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

COUNTY AUDITOR
DELAWARE COUNTY
FEDERAL FINDINGS
(Continued)

**FINDING 2015-002 - INTERNAL CONTROLS AND COMPLIANCE
OVER FINANCIAL TRANSACTIONS AND REPORTING**

Condition

The County had deficiencies in its internal control system related to financial transactions and reporting in the following areas:

1. **Preparing Financial Statement:** The County failed to design effective controls over the preparation of the financial statement in order to prevent, or detect and correct, material misstatements, including notes to the financial statement. The County submitted financial information into the Indiana Gateway for Government Units, which is a financial reporting system and the source of the Annual Financial Report (AFR). The AFR was used to compile the County's financial statement. There was no control in place, such as an oversight, review, or approval process, to ensure the accuracy of the financial information prior to the submission.
2. **Clerk of the Circuit Court Records:** No effective controls were in place to ensure that the receipts, disbursements, and balances presented to the County Auditor for inclusion in the AFR were accurate.
3. **County Sheriff Receipts:** There was no segregation of duties over the collection of cash, posting of the Cash Book, or depositing.
4. **Payroll:** There were no controls in place to ensure that the payrolls of department heads were correct and accurate. The time records of department heads were not verified or reviewed for accuracy before their payroll was calculated and the department heads were paid.
5. **County Treasurer's office:** No effective controls were in place to determine that the County Treasurer had properly reconciled to the County Auditor's office or that the amounts submitted for inclusion in the AFR were accurate, resulting in an overstatement of \$44,962,623 in receipts and an overstatement of \$37,514,724 in expenditures on the financial statement.
6. **County Redevelopment Commission:** There were no controls established over trust accounts held by the County Redevelopment Commission. There were 27 trust accounts held for redevelopment accounts. Some of these trust accounts statements were received by the County Redevelopment Commission, some were received by the County Auditor, and some were sent to the company receiving the bond revenues. There was no comprehensive review of these accounts performed; therefore, they were not properly monitored. As a result, 12 funds were reported twice on the financial statement, resulting in an overstatement of \$19,956,204 in the ending cash and investments balance.

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

COUNTY AUDITOR
DELAWARE COUNTY
FEDERAL FINDINGS
(Continued)

Criteria

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

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

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

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

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

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.



Steven G. Craycraft
Delaware County Auditor

July 5, 2017

CORRECTIVE ACTION PLAN

FINDING: 2015-001

CONTACT PERSON RESPONSIBLE FOR CORRECTIVE ACTION:

AUDITOR STEVEN G. CRAYCRAFT

765-747-7717

DESCRIPTION OF CORRECTIVE ACTION PLAN

County Auditor:

Finding 2015-001: Financial statements are reviewed for accuracy to make sure reporting is correct. Balances of accounts, including receipts and payments are checked to insure budgetary amounts submitted into Gateway are correct.

View of Responsible Official:

I believe that efforts have been made to correct each problem found by the SBoA.

Anticipated completion date is year end 2017

100 W. Main Street Room 103 Muncie, IN 47305
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E-mail: scraycraft@co.delaware.in.us



Steven G. Craycraft

Delaware County Auditor

July 5, 2017

CORRECTIVE ACTION PLAN

FINDING: 2015-002

CONTACT PERSON RESPONSIBLE FOR CORRECTIVE ACTION:

AUDITOR STEVEN G. CRAYCRAFT	765-747-7717
CLERK MIKE KING	765-747-7726
SHERIFF RAY DUDLEY	765-747-7885
COUNTY REDEVELOPMENT BRAD BOOKOUT	765-808-1484
TREASURER ED CARROLL	765-747-7808

DESCRIPTION OF CORRECTIVE ACTION PLAN

County Auditor:

Finding 2015-002: The County Auditor and/or Chief Deputy Auditor reviews the reporting of time sheet records for Delaware County Department Heads to make sure reporting of time is correct and accurate

County Clerk: **Finding 2015-002**

The County Clerk now requires that all financial reports are reviewed by the County Clerk and one bookkeeper prior to submission to the County Auditor. The County Clerk has implemented an Excel spreadsheet version of the annual report that is submitted to the County Auditor. This was completed with assistance from the SBoA.

County Sheriff: **Finding 2015-002**

The County Sheriff hired an additional person and duties have been separated.

County Redevelopment Director: **Finding 2015-002**

The DCRC has requested all account statements to be sent to the Delaware County Auditor's Office. Concerning monitoring, the DCRC will continue to contract with H.J. Umbaugh to audit the accounts annually and all expenditures paid for from trust accounts are to be approved by the DCRC. Regarding over and understated balances, the DCRC will ask the Auditor's Office and H.J. Umbaugh to work cooperatively to ensure the balances are correct.

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County Treasurer: **Finding 2015-002**

Action Plan:

In reference to finding number 2015-002, from the SBoA, the Delaware County Treasurer's and Auditor's office have corrected balances. The Treasurer's office has implemented procedures to ensure better communications and accuracy while adopting new internal controls for the balancing of all funds.

We continue reviewing our process and implement additional internal controls as determined. This will provide our County, and SBoA, the most accurate resources and balances available.

View of Responsible Official:

County was not aware that a semi-annual IV-D form was required to be filed stating that 100% of work time in the IV-D office is dedicated to IV-D work, and a semi-annual certification form needed to be completed and filed.

View of Responsible Official:

I believe that efforts have been made to correct each problem found by the SBoA.

Anticipated completion date is year end 2017

COUNTY AUDITOR
DELAWARE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 11, 2017, with Scott Alexander, County Council member; Sherry Riggin, County Commissioner; Steven Craycraft, County Auditor; and Donna Patterson, Deputy County Auditor.

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COUNTY TREASURER
DELAWARE COUNTY

COUNTY TREASURER
DELAWARE COUNTY
FEDERAL FINDING

**FINDING 2015-002 - INTERNAL CONTROLS AND COMPLIANCE
OVER FINANCIAL TRANSACTIONS AND REPORTING**

Condition

The County had deficiencies in its internal control system related to financial transactions and reporting in the following areas:

1. **Preparing Financial Statement:** The County failed to design effective controls over the preparation of the financial statement in order to prevent, or detect and correct, material misstatements, including notes to the financial statement. The County submitted financial information into the Indiana Gateway for Government Units, which is a financial reporting system and the source of the Annual Financial Report (AFR). The AFR was used to compile the County's financial statement. There was no control in place, such as an oversight, review, or approval process, to ensure the accuracy of the financial information prior to the submission.
2. **Clerk of the Circuit Court Records:** No effective controls were in place to ensure that the receipts, disbursements, and balances presented to the County Auditor for inclusion in the AFR were accurate.
3. **County Sheriff Receipts:** There was no segregation of duties over the collection of cash, posting of the Cash Book, or depositing.
4. **Payroll:** There were no controls in place to ensure that the payrolls of department heads were correct and accurate. The time records of department heads were not verified or reviewed for accuracy before their payroll was calculated and the department heads were paid.
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6. **County Redevelopment Commission:** There were no controls established over trust accounts held by the County Redevelopment Commission. There were 27 trust accounts held for redevelopment accounts. Some of these trust accounts statements were received by the County Redevelopment Commission, some were received by the County Auditor, and some were sent to the company receiving the bond revenues. There was no comprehensive review of these accounts performed; therefore, they were not properly monitored. As a result, 12 funds were reported twice on the financial statement, resulting in an overstatement of \$19,956,204 in the ending cash and investments balance.

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

COUNTY TREASURER
DELAWARE 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:

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"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."

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.



Steven G. Craycraft

Delaware County Auditor

July 5, 2017

CORRECTIVE ACTION PLAN

FINDING: 2015-002

CONTACT PERSON RESPONSIBLE FOR CORRECTIVE ACTION:

AUDITOR STEVEN G. CRAYCRAFT	765-747-7717
CLERK MIKE KING	765-747-7726
SHERIFF RAY DUDLEY	765-747-7885
COUNTY REDEVELOPMENT BRAD BOOKOUT	765-808-1484
TREASURER ED CARROLL	765-747-7808

DESCRIPTION OF CORRECTIVE ACTION PLAN

County Auditor:

Finding 2015-002: The County Auditor and/or Chief Deputy Auditor reviews the reporting of time sheet records for Delaware County Department Heads to make sure reporting of time is correct and accurate

County Clerk: **Finding 2015-002**

The County Clerk now requires that all financial reports are reviewed by the County Clerk and one bookkeeper prior to submission to the County Auditor. The County Clerk has implemented an Excel spreadsheet version of the annual report that is submitted to the County Auditor. This was completed with assistance from the SBoA.

County Sheriff: **Finding 2015-002**

The County Sheriff hired an additional person and duties have been separated.

County Redevelopment Director: **Finding 2015-002**

The DCRC has requested all account statements to be sent to the Delaware County Auditor's Office. Concerning monitoring, the DCRC will continue to contract with H.J. Umbaugh to audit the accounts annually and all expenditures paid for from trust accounts are to be approved by the DCRC. Regarding over and understated balances, the DCRC will ask the Auditor's Office and H.J. Umbaugh to work cooperatively to ensure the balances are correct.

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County Treasurer: **Finding 2015-002**

Action Plan:

In reference to finding number 2015-002, from the SBoA, the Delaware County Treasurer's and Auditor's office have corrected balances. The Treasurer's office has implemented procedures to ensure better communications and accuracy while adopting new internal controls for the balancing of all funds.

We continue reviewing our process and implement additional internal controls as determined. This will provide our County, and SBoA, the most accurate resources and balances available.

View of Responsible Official:

County was not aware that a semi-annual IV-D form was required to be filed stating that 100% of work time in the IV-D office is dedicated to IV-D work, and a semi-annual certification form needed to be completed and filed.

View of Responsible Official:

I believe that efforts have been made to correct each problem found by the SBoA.

Anticipated completion date is year end 2017

COUNTY TREASURER
DELAWARE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 11, 2017, with Scott Alexander, County Council member; Sherry Riggan, County Commissioner; Edward E. Carroll Jr., County Treasurer; and Becki Stuffer, Deputy County Treasurer.

BOARD OF COUNTY COMMISSIONERS
DELAWARE COUNTY

BOARD OF COUNTY COMMISSIONERS
DELAWARE COUNTY
FEDERAL FINDING

***FINDING 2015-002 - INTERNAL CONTROLS AND COMPLIANCE
OVER FINANCIAL TRANSACTIONS AND REPORTING***

Condition

The County had deficiencies in its internal control system related to financial transactions and reporting in the following areas:

1. **Preparing Financial Statement:** The County failed to design effective controls over the preparation of the financial statement in order to prevent, or detect and correct, material misstatements, including notes to the financial statement. The County submitted financial information into the Indiana Gateway for Government Units, which is a financial reporting system and the source of the Annual Financial Report (AFR). The AFR was used to compile the County's financial statement. There was no control in place, such as an oversight, review, or approval process, to ensure the accuracy of the financial information prior to the submission.
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Audit adjustments were proposed, accepted by the County, and made to the financial statement.

BOARD OF COUNTY COMMISSIONERS
DELAWARE COUNTY
FEDERAL FINDING
(Continued)

Criteria

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Indiana Code 5-11-1-4(a) states:

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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.



Steven G. Craycraft

Delaware County Auditor

July 5, 2017

CORRECTIVE ACTION PLAN

FINDING: 2015-002

CONTACT PERSON RESPONSIBLE FOR CORRECTIVE ACTION:

AUDITOR STEVEN G. CRAYCRAFT	765-747-7717
CLERK MIKE KING	765-747-7726
SHERIFF RAY DUDLEY	765-747-7885
COUNTY REDEVELOPMENT BRAD BOOKOUT	765-808-1484
TREASURER ED CARROLL	765-747-7808

DESCRIPTION OF CORRECTIVE ACTION PLAN

County Auditor:

Finding 2015-002: The County Auditor and/or Chief Deputy Auditor reviews the reporting of time sheet records for Delaware County Department Heads to make sure reporting of time is correct and accurate

County Clerk: **Finding 2015-002**

The County Clerk now requires that all financial reports are reviewed by the County Clerk and one bookkeeper prior to submission to the County Auditor. The County Clerk has implemented an Excel spreadsheet version of the annual report that is submitted to the County Auditor. This was completed with assistance from the SBoA.

County Sheriff: **Finding 2015-002**

The County Sheriff hired an additional person and duties have been separated.

County Redevelopment Director: **Finding 2015-002**

The DCRC has requested all account statements to be sent to the Delaware County Auditor's Office. Concerning monitoring, the DCRC will continue to contract with H.J. Umbaugh to audit the accounts annually and all expenditures paid for from trust accounts are to be approved by the DCRC. Regarding over and understated balances, the DCRC will ask the Auditor's Office and H.J. Umbaugh to work cooperatively to ensure the balances are correct.

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Office: 765-747-7717 Fax: 765-741-3422
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County Treasurer: **Finding 2015-002**

Action Plan:

In reference to finding number 2015-002, from the SBoA, the Delaware County Treasurer's and Auditor's office have corrected balances. The Treasurer's office has implemented procedures to ensure better communications and accuracy while adopting new internal controls for the balancing of all funds.

We continue reviewing our process and implement additional internal controls as determined. This will provide our County, and SBoA, the most accurate resources and balances available.

View of Responsible Official:

County was not aware that a semi-annual IV-D form was required to be filed stating that 100% of work time in the IV-D office is dedicated to IV-D work, and a semi-annual certification form needed to be completed and filed.

View of Responsible Official:

I believe that efforts have been made to correct each problem found by the SBoA.

Anticipated completion date is year end 2017

BOARD OF COUNTY COMMISSIONERS
DELAWARE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 11, 2017, with Scott Alexander, County Council member, and Sherry Riggin, County Commissioner.

CLERK OF THE CIRCUIT COURT
DELAWARE COUNTY

CLERK OF THE CIRCUIT COURT
DELAWARE COUNTY
FEDERAL FINDING

**FINDING 2015-002 - INTERNAL CONTROLS AND COMPLIANCE
OVER FINANCIAL TRANSACTIONS AND REPORTING**

Condition

The County had deficiencies in its internal control system related to financial transactions and reporting in the following areas:

1. **Preparing Financial Statement:** The County failed to design effective controls over the preparation of the financial statement in order to prevent, or detect and correct, material misstatements, including notes to the financial statement. The County submitted financial information into the Indiana Gateway for Government Units, which is a financial reporting system and the source of the Annual Financial Report (AFR). The AFR was used to compile the County's financial statement. There was no control in place, such as an oversight, review, or approval process, to ensure the accuracy of the financial information prior to the submission.
2. **Clerk of the Circuit Court Records:** No effective controls were in place to ensure that the receipts, disbursements, and balances presented to the County Auditor for inclusion in the AFR were accurate.
3. **County Sheriff Receipts:** There was no segregation of duties over the collection of cash, posting of the Cash Book, or depositing.
4. **Payroll:** There were no controls in place to ensure that the payrolls of department heads were correct and accurate. The time records of department heads were not verified or reviewed for accuracy before their payroll was calculated and the department heads were paid.
5. **County Treasurer's office:** No effective controls were in place to determine that the County Treasurer had properly reconciled to the County Auditor's office or that the amounts submitted for inclusion in the AFR were accurate, resulting in an overstatement of \$44,962,623 in receipts and an overstatement of \$37,514,724 in expenditures on the financial statement.
6. **County Redevelopment Commission:** There were no controls established over trust accounts held by the County Redevelopment Commission. There were 27 trust accounts held for redevelopment accounts. Some of these trust accounts statements were received by the County Redevelopment Commission, some were received by the County Auditor, and some were sent to the company receiving the bond revenues. There was no comprehensive review of these accounts performed; therefore, they were not properly monitored. As a result, 12 funds were reported twice on the financial statement, resulting in an overstatement of \$19,956,204 in the ending cash and investments balance.

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

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

Criteria

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

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

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

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

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

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.



Steven G. Craycraft

Delaware County Auditor

July 5, 2017

CORRECTIVE ACTION PLAN

FINDING: 2015-002

CONTACT PERSON RESPONSIBLE FOR CORRECTIVE ACTION:

AUDITOR STEVEN G. CRAYCRAFT	765-747-7717
CLERK MIKE KING	765-747-7726
SHERIFF RAY DUDLEY	765-747-7885
COUNTY REDEVELOPMENT BRAD BOOKOUT	765-808-1484
TREASURER ED CARROLL	765-747-7808

DESCRIPTION OF CORRECTIVE ACTION PLAN

County Auditor:

Finding 2015-002: The County Auditor and/or Chief Deputy Auditor reviews the reporting of time sheet records for Delaware County Department Heads to make sure reporting of time is correct and accurate

County Clerk: **Finding 2015-002**

The County Clerk now requires that all financial reports are reviewed by the County Clerk and one bookkeeper prior to submission to the County Auditor. The County Clerk has implemented an Excel spreadsheet version of the annual report that is submitted to the County Auditor. This was completed with assistance from the SBoA.

County Sheriff: **Finding 2015-002**

The County Sheriff hired an additional person and duties have been separated.

County Redevelopment Director: **Finding 2015-002**

The DCRC has requested all account statements to be sent to the Delaware County Auditor's Office. Concerning monitoring, the DCRC will continue to contract with H.J. Umbaugh to audit the accounts annually and all expenditures paid for from trust accounts are to be approved by the DCRC. Regarding over and understated balances, the DCRC will ask the Auditor's Office and H.J. Umbaugh to work cooperatively to ensure the balances are correct.

100 W. Main Street Room 103 Muncie, IN 47305
Office: 765-747-7717 Fax: 765-741-3422
E-mail: scraycraft@co.delaware.in.us

County Treasurer: **Finding 2015-002**

Action Plan:

In reference to finding number 2015-002, from the SBoA, the Delaware County Treasurer's and Auditor's office have corrected balances. The Treasurer's office has implemented procedures to ensure better communications and accuracy while adopting new internal controls for the balancing of all funds.

We continue reviewing our process and implement additional internal controls as determined. This will provide our County, and SBoA, the most accurate resources and balances available.

View of Responsible Official:

County was not aware that a semi-annual IV-D form was required to be filed stating that 100% of work time in the IV-D office is dedicated to IV-D work, and a semi-annual certification form needed to be completed and filed.

View of Responsible Official:

I believe that efforts have been made to correct each problem found by the SBoA.

Anticipated completion date is year end 2017

CLERK OF THE CIRCUIT COURT
DELAWARE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 11, 2017, with Scott Alexander, County Council member; Sherry Riggan, County Commissioner; and Mike King, Clerk of the Circuit Court.

COUNTY SHERIFF
DELAWARE COUNTY

COUNTY SHERIFF
DELAWARE COUNTY
FEDERAL FINDING

**FINDING 2015-002 - INTERNAL CONTROLS AND COMPLIANCE
OVER FINANCIAL TRANSACTIONS AND REPORTING**

Condition

The County had deficiencies in its internal control system related to financial transactions and reporting in the following areas:

1. **Preparing Financial Statement:** The County failed to design effective controls over the preparation of the financial statement in order to prevent, or detect and correct, material misstatements, including notes to the financial statement. The County submitted financial information into the Indiana Gateway for Government Units, which is a financial reporting system and the source of the Annual Financial Report (AFR). The AFR was used to compile the County's financial statement. There was no control in place, such as an oversight, review, or approval process, to ensure the accuracy of the financial information prior to the submission.
2. **Clerk of the Circuit Court Records:** No effective controls were in place to ensure that the receipts, disbursements, and balances presented to the County Auditor for inclusion in the AFR were accurate.
3. **County Sheriff Receipts:** There was no segregation of duties over the collection of cash, posting of the Cash Book, or depositing.
4. **Payroll:** There were no controls in place to ensure that the payrolls of department heads were correct and accurate. The time records of department heads were not verified or reviewed for accuracy before their payroll was calculated and the department heads were paid.
5. **County Treasurer's office:** No effective controls were in place to determine that the County Treasurer had properly reconciled to the County Auditor's office or that the amounts submitted for inclusion in the AFR were accurate, resulting in an overstatement of \$44,962,623 in receipts and an overstatement of \$37,514,724 in expenditures on the financial statement.
6. **County Redevelopment Commission:** There were no controls established over trust accounts held by the County Redevelopment Commission. There were 27 trust accounts held for redevelopment accounts. Some of these trust accounts statements were received by the County Redevelopment Commission, some were received by the County Auditor, and some were sent to the company receiving the bond revenues. There was no comprehensive review of these accounts performed; therefore, they were not properly monitored. As a result, 12 funds were reported twice on the financial statement, resulting in an overstatement of \$19,956,204 in the ending cash and investments balance.

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

COUNTY SHERIFF
DELAWARE COUNTY
FEDERAL FINDING
(Continued)

Criteria

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

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

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

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

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

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.



Steven G. Craycraft

Delaware County Auditor

July 5, 2017

CORRECTIVE ACTION PLAN

FINDING: 2015-002

CONTACT PERSON RESPONSIBLE FOR CORRECTIVE ACTION:

AUDITOR STEVEN G. CRAYCRAFT	765-747-7717
CLERK MIKE KING	765-747-7726
SHERIFF RAY DUDLEY	765-747-7885
COUNTY REDEVELOPMENT BRAD BOOKOUT	765-808-1484
TREASURER ED CARROLL	765-747-7808

DESCRIPTION OF CORRECTIVE ACTION PLAN

County Auditor:

Finding 2015-002: The County Auditor and/or Chief Deputy Auditor reviews the reporting of time sheet records for Delaware County Department Heads to make sure reporting of time is correct and accurate

County Clerk: **Finding 2015-002**

The County Clerk now requires that all financial reports are reviewed by the County Clerk and one bookkeeper prior to submission to the County Auditor. The County Clerk has implemented an Excel spreadsheet version of the annual report that is submitted to the County Auditor. This was completed with assistance from the SBoA.

County Sheriff: **Finding 2015-002**

The County Sheriff hired an additional person and duties have been separated.

County Redevelopment Director: **Finding 2015-002**

The DCRC has requested all account statements to be sent to the Delaware County Auditor's Office. Concerning monitoring, the DCRC will continue to contract with H.J. Umbaugh to audit the accounts annually and all expenditures paid for from trust accounts are to be approved by the DCRC. Regarding over and understated balances, the DCRC will ask the Auditor's Office and H.J. Umbaugh to work cooperatively to ensure the balances are correct.

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E-mail: scraycraft@co.delaware.in.us

County Treasurer: **Finding 2015-002**

Action Plan:

In reference to finding number 2015-002, from the SBoA, the Delaware County Treasurer's and Auditor's office have corrected balances. The Treasurer's office has implemented procedures to ensure better communications and accuracy while adopting new internal controls for the balancing of all funds.

We continue reviewing our process and implement additional internal controls as determined. This will provide our County, and SBoA, the most accurate resources and balances available.

View of Responsible Official:

County was not aware that a semi-annual IV-D form was required to be filed stating that 100% of work time in the IV-D office is dedicated to IV-D work, and a semi-annual certification form needed to be completed and filed.

View of Responsible Official:

I believe that efforts have been made to correct each problem found by the SBoA.

Anticipated completion date is year end 2017

COUNTY SHERIFF
DELAWARE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 11, 2017, with Scott Alexander, County Council member; Sherry Riggan, County Commissioner; and Maggie Cox, County Sheriff's Chief Financial Officer.

COUNTY REDEVELOPMENT COMMISSION
DELAWARE COUNTY

COUNTY REDEVELOPMENT COMMISSION
DELAWARE COUNTY
FEDERAL FINDING

**FINDING 2015-002 - INTERNAL CONTROLS AND COMPLIANCE
OVER FINANCIAL TRANSACTIONS AND REPORTING**

Condition

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

COUNTY REDEVELOPMENT COMMISSION
DELAWARE COUNTY
FEDERAL FINDING
(Continued)

Criteria

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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.



Steven G. Craycraft

Delaware County Auditor

July 5, 2017

CORRECTIVE ACTION PLAN

FINDING: 2015-002

CONTACT PERSON RESPONSIBLE FOR CORRECTIVE ACTION:

AUDITOR STEVEN G. CRAYCRAFT	765-747-7717
CLERK MIKE KING	765-747-7726
SHERIFF RAY DUDLEY	765-747-7885
COUNTY REDEVELOPMENT BRAD BOOKOUT	765-808-1484
TREASURER ED CARROLL	765-747-7808

DESCRIPTION OF CORRECTIVE ACTION PLAN

County Auditor:

Finding 2015-002: The County Auditor and/or Chief Deputy Auditor reviews the reporting of time sheet records for Delaware County Department Heads to make sure reporting of time is correct and accurate

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County Redevelopment Director: **Finding 2015-002**

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Office: 765-747-7717 Fax: 765-741-3422
E-mail: scraycraft@co.delaware.in.us

County Treasurer: **Finding 2015-002**

Action Plan:

In reference to finding number 2015-002, from the SBoA, the Delaware County Treasurer's and Auditor's office have corrected balances. The Treasurer's office has implemented procedures to ensure better communications and accuracy while adopting new internal controls for the balancing of all funds.

We continue reviewing our process and implement additional internal controls as determined. This will provide our County, and SBoA, the most accurate resources and balances available.

View of Responsible Official:

County was not aware that a semi-annual IV-D form was required to be filed stating that 100% of work time in the IV-D office is dedicated to IV-D work, and a semi-annual certification form needed to be completed and filed.

View of Responsible Official:

I believe that efforts have been made to correct each problem found by the SBoA.

Anticipated completion date is year end 2017

COUNTY REDEVELOPMENT COMMISSION
DELAWARE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 11, 2017, with Scott Alexander, County Council member; Sherry Riggan, County Commissioner; and Brad Bookout, Director of the Redevelopment Commission.

COUNTY PROSECUTING ATTORNEY
DELAWARE COUNTY

COUNTY PROSECUTING ATTORNEY
DELAWARE COUNTY
FEDERAL FINDING

FINDING 2015-004 - 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): 2015
Pass-Through Entity: Indiana Department of Child Services

Condition

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

The County Prosecutor's office did not maintain documentation of personnel expenses charged to the program.

Context

The lack of internal controls and noncompliance was systemic, occurring throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards 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). . . ."

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;

COUNTY PROSECUTING ATTORNEY
DELAWARE COUNTY
FEDERAL FINDING
(Continued)

- (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 had not developed an effective system of internal controls to ensure that all requirements related to Allowable Costs/Cost Principles of the grant were met.

Effect

The failure to establish an effective internal control system resulted in the County's noncompliance with the grant agreement and the compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls related to the grant agreement and requirements related to allowable cost provisions to ensure compliance with those requirements.

Views of Responsible Officials

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



**OFFICE OF THE PROSECUTING ATTORNEY
JEFFREY L. ARNOLD
46TH JUDICIAL CIRCUIT
DELAWARE COUNTY, INDIANA**

100 W. MAIN STREET, ROOM 312
MUNCIE, IN 47305

TELEPHONE 765-747-7801
FAX: 765-747-7830

Corrective Action Plan

Date: July 5, 2017

Re: Finding 2015-004

Contact person responsible for Corrective Action: Lorie Craycraft
Contact Phone Number: 765-7774 ext. 330

Views of Responsible Official:

We were unaware that the "Semi-Annual IV-D and Effort Certification" form was required.

Description of Corrective Action Plan:

We have implemented the "County Prosecutor's/ IV-D Court's Semi Annual IV-D Time and Effort Certification." Administrator Lorie Craycraft will complete and sign this form semi-annually as required.

Anticipated Completion Date: July 5, 2017

Eric M. Hoffman
Chief Deputy Prosecutor
46th Judicial Circuit of Indiana

COUNTY PROSECUTING ATTORNEY
DELAWARE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 11, 2017, with Scott Alexander, County Council member; Sherry Riggan, County Commissioner; Jeff Arnold, County Prosecuting Attorney; and Lorie Craycraft, IV-D Administrator.

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COUNTY HIGHWAY DEPARTMENT
DELAWARE COUNTY

COUNTY HIGHWAY DEPARTMENT
DELAWARE COUNTY
FEDERAL FINDING

FINDING 2015-003 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: Department of Transportation

Federal Program: Highway Planning and Construction

CFDA Number: 20.205

Federal Award Numbers and Years (or Other Identifying Numbers): 501039, 710092, 710098, 900990,
1006111, 1006112, 1006593,
1382332, 14002581, 0015804462,
011581444, 0015809

Pass-Through Entity: Indiana Department of Transportation

Condition

Management of the County had not established an effective internal control system related to its grant agreement and the Equipment and Real Property Management compliance requirement.

The failure to establish an effective internal control system resulted in the County being in noncompliance with the Equipment and Real Property Management requirements. The Highway Department maintained records for equipment purchased with federal funding; however, the records had not been updated subsequent to the year 2009.

Context

This lack of internal controls and noncompliance was systemic, occurring throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards 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). . . ."

2 CFR 200.313(d) states in part:

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

COUNTY HIGHWAY DEPARTMENT
DELAWARE COUNTY
FEDERAL FINDING
(Continued)

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

Cause

Management had not developed an effective system of internal controls that would have ensured that all requirements related to managing equipment purchased through the grant were met.

Effect

The failure to establish an effective internal control system resulted in the County's noncompliance with the grant agreement and the compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls related to the grant agreement and requirements related to equipment purchased to ensure compliance with those requirements.

Views of Responsible Officials

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



Steven G. Craycraft
Delaware County Auditor

July 5, 2017

CORRECTIVE ACTION PLAN

FINDING: 2015-003

CONTACT PERSON RESPONSIBLE FOR CORRECTIVE ACTION:

COUNTY HIGHWAY DEPT., ROBERT JESSEE

765-747-7818

DESCRIPTION OF CORRECTIVE ACTION PLAN

County Highway Department: Finding 2015-003

We are currently working with Michael Nielsen to update our report which will be completed this year and we plan to continually update this report on an annual basis.

View of Responsible Official:

I believe that efforts have been made to correct each problem found by the SBoA.

Anticipated completion date is year end 2017

COUNTY HIGHWAY DEPARTMENT
DELAWARE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 11, 2017, with Scott Alexander, County Council member; Sherry Riggin, County Commissioner; and Carrie Dye, County Highway Department Bookkeeper.