

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
VANDERBURGH COUNTY, INDIANA
January 1, 2016 to December 31, 2016



FILED
09/23/2017

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---|---|--|
| County Auditor | Brian Gerth | 11-16-15 to 12-31-18 |
| County Treasurer | Susan Kirk | 01-01-13 to 12-31-20 |
| Clerk of the Circuit Court | Debra G. Stucki Carla Hayden | 01-01-13 to 12-31-16 01-01-17 to 12-31-20 |
| County Sheriff | David L. Wedding | 01-01-15 to 12-31-18 |
| President of the County Council | Angela Koehler Lindsey John Montrastelle | 01-01-16 to 12-31-16 01-01-17 to 12-31-17 |
| President of the Board of County Commissioners | Bruce Ungethiem | 01-01-16 to 12-31-17 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF VANDERBURGH COUNTY, INDIANA

This report is supplemental to our audit report of Vanderburgh County (County), for the period from January 1, 2016 to December 31, 2016. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the County, which provides our opinions on the County's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit 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

August 22, 2017

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COUNTY AUDITOR
VANDERBURGH COUNTY

COUNTY AUDITOR
VANDERBURGH COUNTY
FEDERAL FINDING

FINDING 2016-001

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

Repeat Finding

A similar finding was reported in the immediate prior year report as Finding 2015-001.

Condition

The County did not have an effective system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Accounts Receivable Bookkeeper entered the information and the County Auditor reviewed and submitted federal award information within the County's Annual Report on the Indiana Gateway for Government Units, which was used to compile the SEFA. However, the control procedures were not effective to ensure that the federal award information entered and submitted was correct.

The SEFA contained the following errors:

1. Two state-funded programs in the amount of \$13,799 were included.
2. One program with federal expenditures of \$9,656 was omitted.
3. Funding in the amount of \$35,202 passed through to a subrecipient was not reported for one federal program.
4. Six programs' federal expenditures were understated by a total of \$616,249, and three programs' federal expenditures were overstated by a total of \$15,164.
5. Fourteen pass-through entity identifying award numbers were either incorrect or omitted.

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
VANDERBURGH 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. . . ."

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

2 CFR 200.510(b) states:

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

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

COUNTY AUDITOR
VANDERBURGH COUNTY
FEDERAL FINDING
(Continued)

Cause

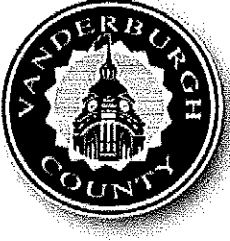
Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

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

Views of Responsible Officials

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



BRIAN GERTH
VANDERBURGH COUNTY AUDITOR
STATE OF INDIANA

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Evansville, IN 47708-1880
Phone: (812) 435-5763
Fax: (812) 435-5344
bagerth@vanderburghgov.org

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action:
Contact Phone Number:

Brian Gerth
812-435-5763

Views of Responsible Official:

We concur with the findings

Description of Corrective Action Plan:

The Auditor's Office will correct the errors noted within the findings. The Auditor's Office is implementing procedures to determine what State funded grants are, and not include them on the financial statement in Gateway. We will continue to receive award letters for all grants including the ones where pass-through entities are listed. We are using the correct totals to account for expenditures by grants. This will continue to be a work in progress as we receive new grants.

Anticipated Completion Date:

December 31, 2017

Brian Gerth
(Signature)

Auditor
(Title)

8/16/17
(Date)

COUNTY AUDITOR
VANDERBURGH COUNTY
AUDIT RESULT AND COMMENT

ADVANCE PAYMENTS

All County employees, except elected officials, Highway Union employees, and part-time employees, were paid in advance of hours worked. The last payroll of the year, paid on December 22, 2017, included payment for work through December 30, 2016.

The same comment also appeared in prior Reports B47262 and B47284.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR
VANDERBURGH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 22, 2017, with Brian Gerth, County Auditor; Cheryl A. W. Musgrave, County Commissioner; Teresa Lukeman, Executive Assistant; and James Raben, County Council member.

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COUNTY SHERIFF
VANDERBURGH COUNTY

COUNTY SHERIFF
VANDERBURGH COUNTY
AUDIT RESULTS AND COMMENTS

CUSTODY OF SEIZED PROPERTY

Funds seized by the Southwest Indiana Drug Task Force are held in custody of the Prosecuting Attorney per a Memorandum of Understanding between the Prosecuting Attorney, the County Sheriff's Department, and other local law enforcement agencies. However, there is no Court order or statutory authority in place to authorize the delegation of custody of these funds to the Prosecuting Attorney.

The same comment also appeared in prior reports B47262 and B47284.

Indiana Code 34-24-1-2(b) states:

"When property is seized under subsection (a), the law enforcement agency making the seizure may, pending final disposition:

- (1) place the property under seal;
- (2) remove the property to a place designated by the court; or
- (3) require another agency authorized by law to take custody of the property and remove it to an appropriate location."

UNCLAIMED PROPERTY - OUTSTANDING INMATE TRUST ITEMS

The Sheriff's Inmate Trust fund maintained at the County Sheriff's Department had 831 outstanding checks that were more than one year old. Additionally, there is a balance of \$24,801 in a separate bank account, which consisted of all inmate trust checks prior to 2011 and the County Sheriff's Department was unable to provide detail of these checks. The balance of these outstanding checks was not paid or delivered to the Unclaimed Property Division in the Office of the Attorney General. The exact number of outstanding checks could not be determined because the County Sheriff's Department changed accounting software.

The same comment also appeared in prior Reports B47262 and B47284.

COUNTY SHERIFF
VANDERBURGH COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 32-34-1-20(c) states in part:

"Property that is held, issued, or owed in the ordinary course of a holder's business is presumed abandoned if the owner or apparent owner has not communicated in writing with the holder concerning the property or has not otherwise given an indication of interest in the property during the following times: . . . (7) For property held by a state or other government, governmental subdivision or agency, or public corporation or other public authority, one (1) year after the property becomes distributable. . . ."

Indiana Code 32-34-1-26 states in part:

"(a) A holder of property that is presumed abandoned and that is subject to custody as unclaimed property under this chapter shall report in writing to the attorney general concerning the property. Items of value of less than fifty dollars (\$50) may be reported by the holder in the aggregate.

(b) For each item with a value of at least fifty dollars (\$50), the report required under subsection (a) must be verified and must include the following:

(1) The apparent owner's:

(A) name, if known;

(B) last known address, if any; and

(C) Social Security number or taxpayer identification number, if readily ascertainable. . . ."

Indiana Code 32-34-1-27(a) states: "Except as provided in subsections (b) and (c), on the date a report is filed under section 26 of this chapter, the holder shall pay or deliver to the attorney general the property that is described in the report as unclaimed."

COUNTY SHERIFF
VANDERBURGH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 22, 2017, with David L. Wedding, County Sheriff; Brian Gerth, County Auditor; Cheryl A. W. Musgrave, County Commissioner; Teresa Lukeman, Executive Assistant; and James Raben, County Council member.