

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

DAVISS COUNTY, INDIANA

January 1, 2015 to December 31, 2015



FILED

09/27/2017

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SCHEDULE OF OFFICIALS

County Auditor	Patricia K. Ball	01-01-15 to 12-31-18
County Treasurer	Elaine Wellman	01-01-15 to 12-31-18
Clerk of the Circuit Court	Janice M. Williams	01-01-15 to 12-31-18
County Sheriff	Jerry Harbstreit	01-01-15 to 12-31-18
County Recorder	Jamie Chapman	01-01-13 to 12-31-20
President of the Board of County Commissioners	C. Michael Taylor Nathan Gabhart	01-01-15 to 12-31-16 01-01-17 to 12-31-17
President of the County Council	Mike Sprinkle Mike Myers Mike Sprinkle	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

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

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TO: THE OFFICIALS OF DAVIESS COUNTY, INDIANA

This report is supplemental to our audit report of Daviess County (County), for the period from January 1, 2015 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the County, which provides our opinions on the County's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

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

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

Any Corrective Action Plan for the Federal Findings 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

September 19, 2017

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COUNTY AUDITOR
DAVISS COUNTY

COUNTY AUDITOR
DAVISS COUNTY
FEDERAL FINDINGS

**FINDING 2015-001 - PREPARATION OF THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS**

Condition

The County did not have proper controls in place over the preparation of the Schedule of Expenditures of Federal Awards (SEFA) to ensure accurate reporting of federal awards. Federal expenditures of \$3,782 were reported for a nonfederally funded program. Federal expenditures for four grants were overstated by a total of \$73,139, and federal expenditures for one grant were understated by \$55,342. In addition, the program titles were incorrectly reported for three federal programs, and no identifying numbers were reported for any federal programs.

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. . . ."

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:

COUNTY AUDITOR
DAVIESS COUNTY
FEDERAL FINDINGS
(Continued)

- (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

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.

FINDING 2015-003 - FINANCIAL TRANSACTIONS AND REPORTING

Condition

There were deficiencies in the internal control system of the County Auditor and the Board of County Commissioners related to financial transactions and reporting regarding economic development activities and Daviess-Martin County Joint Park activities. Adequate controls were not in place to ensure that contracts and agreements entered into by the County were adhered to and that disbursements for these activities had adequate documentation to ensure the funding was used for their intended purposes.

COUNTY AUDITOR
DAVIESS COUNTY
FEDERAL FINDINGS
(Continued)

Loan Agreement - Economic Development

The County entered into a loan agreement with Daviess County Economic Development Foundation, Inc (Foundation), a not-for-profit entity, on June 1, 2006, to lend the \$5,125,000 proceeds of the Taxable Economic Development Income Tax Revenue Bonds of 2006, Series A and B to the Foundation. The loan agreement states: "The Series 2006 Bonds issued under the Indenture will be payable solely out of: the payments to be made by the Borrower on the Series 2006 Notes and any other notes issued hereunder; the City Annual Appropriation, the County EDIT Pledge, junior and subordinate to the 2005 Bonds, and County Revenues. . . .; and Bond proceeds and proceeds of condemnation and insurance." The Bond Purchase Agreement dated June 22, 2006, also indicates in subsection (1)(c)(5): ". . . the Bonds are payable from loan repayments from the Borrower under the Loan Agreement, offset by available County EDIT Pledge, County Revenues and City Annual Appropriation, to the extent available."

There was no evidence that the Foundation made any loan payments to the County throughout the duration of the agreement in accordance with the Loan Agreement referred to above. The County paid off the 2006 Series A and B Bonds early on March 30, 2017, using County General funds in the amount of \$2,196,073.

Disbursement Documentation - Economic Development

The Board of County Commissioners and the County Auditor approved and processed disbursements to several not-for-profit entities for economic development activities without adequate documentation to ensure the funds were spent for their intended uses. Disbursements were made in 2015 to the following entities without proper documentation:

Daviess County Economic Development Corporation	(Corporation)	\$149,500
Daviess County Economic Development Foundation	(Foundation)	178,262
Daviess County Revolving Loan Corporation		235,669
Daviess County Economic Development Commission (Commission)		<u>45,000</u>
Total Disbursed without Adequate Supporting Documentation		<u>\$ 608,431</u>

All the entities noted above maintained the same mailing and business address so all payments went to the same business location. There were no contracts, invoices, or other documentation to indicate what the payments to the Revolving Loan Corporation and the Commission were for. Additionally, the check issued to the Commission was cashed by the Corporation.

The County provided a contract with the Corporation and Foundation. However, both contracts provided were exactly the same, including the services to be provided, date signed, and signatures of officers. The claims for payment submitted to the County Auditor and approved by the County Commissioners included invoices from the Corporation and the Foundation, but the invoices were not itemized and only included a time period for the invoice and a total amount due. The contract (as noted below) stated that the invoice shall itemize hours expended by each category of employee.

COUNTY AUDITOR
DAVISS COUNTY
FEDERAL FINDINGS
(Continued)

Each contract had specific wording for submitting invoices for payment as follows:

"The Foundation (or Corporation) shall submit invoices to Daviess County for the services performed on a periodic basis, not more often than monthly, utilizing claim forms acceptable to the Indiana State Board of Accounts and Daviess County Auditor, itemizing the number of hours expended by each category of employees set forth in Exhibit A."

"The Corporation shall submit invoices to Daviess County for the services performed on a periodic basis, not more often than monthly, utilizing claim forms acceptable to the Indiana State Board of Accounts and Daviess County Auditor, itemizing the number of hours expended by each category of employees set forth in Exhibit A."

Exhibit A in both contracts specified the positions and hourly rates of employees as Executive Director, \$95 per hour; Engineer, \$75 per hour; and Administrative Assistant, \$24.50 per hour.

Disbursement Documentation - Daviess-Martin County Joint Park

The Board of County Commissioners and the County Auditor approved and processed disbursements to the West Boggs Foundation (Foundation) without adequate documentation to ensure the funds were spent for their intended uses. Three payments, totaling \$7,353, were made without supporting documentation to West Boggs Park Foundation. The Daviess-Martin County Joint Park (Park) had an agreement with the Foundation to perform administrative services for the park. The Foundation paid the park bills on behalf of the Park and submitted one monthly claim to the County Auditor for reimbursement of expenses paid on behalf of the Park and payment for services provided by the Foundation. Adequate supporting documentation for the amounts owed was not provided for audit by either the Foundation or the Park department.

Criteria

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

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

COUNTY AUDITOR
DAVISS COUNTY
FEDERAL FINDINGS
(Continued)

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

Cause

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

Effect

The failure to establish controls enabled noncompliance with the contracts 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.

Auditor of Daviess County

Patty Ball

Daviess County Courthouse

200 East Walnut - Washington, IN 47501

Office (812) 254-8662

Fax (812) 254-8697

E-Mail auditor@daviess.org

CORRECTIVE ACTION PLAN

FINDING 2015-001 PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action: Patricia K Ball

Contact Phone Number 812-254-8662

Views of Responsible Official:

Description of Corrective Action Plan:

Controls are to be reviewed, additional communication with the departments receiving funds to develop a better awareness specifically in the reporting process, along with some procedural changes in receiving and posting the EFT's where Grants are concerned. Additional education on how to get the proper information when federal monies are received to help identify them properly for reporting purposes.

Anticipated Completion Date: Continual effort will be made to increase our accuracy in reporting the Grant responsibilities. Changes anticipated to be complete by January 2018 reporting.

Patricia K. Ball

(Signature)

Auditor

(Title)

3/23/2017

(Date)

Auditor of Daviess County

Patty Ball

Daviess County Courthouse

200 East Walnut - Washington, IN 47501

Office (812) 254-8662

Fax (812) 254-8697

E-Mail auditor@daviess.org

CORRECTIVE ACTION PLAN

FINDING 2015-003

Contact Person Responsible for Corrective Action: Patricia K Ball, Auditor

Contact Phone Number: 812-254-8662

Views of Responsible Official:

The Auditor's office paid these claims under the direction from the Daviess County Board of Commissioners. The claim/claims were reviewed and signed by the President of the Board of Commissioners at the time the claims were submitted. The process of claims was followed by the Auditor's office with the claim docket presentation for review by the Daviess County Board of Commissioners.

Description of Corrective Action Plan:

The claims process will be reviewed with the Commissioners. The Auditor's office will review contract language more closely when reviewing the submission of claims but ultimately as we do not have the authority to deny or pay said claims, will depend on the review of all claims submitted and the direction from the Commissioners to final authority as to payments made.

Anticipated Completion Date: January 2018

Patricia K Ball

(Signature)

Auditor

(Title)

9-19-17

(Date)

COUNTY AUDITOR
DAVISS COUNTY
AUDIT RESULT AND COMMENT

SUPPORTING DOCUMENTATION

The following disbursements did not include supporting documentation to support the purchase.

<u>Date</u>	<u>Amount</u>	<u>Payee</u>	<u>Description of Purchase (if any)</u>
02-17-15	\$ 1,900	West Boggs Park Foundation	Utility Services
04-24-15	3,384	West Boggs Park Foundation	Telephone and Utility Services
06-15-15	<u>2,069</u>	West Boggs Park Foundation	Supplies, Chemicals, Equipment, Postage, and Other Operational Expenses
Totals	<u>\$ 7,353</u>		

Due to the lack of supporting information, we could not verify the purpose of the disbursements.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

COUNTY AUDITOR
DAVISS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 20, 2017, with Patricia K. Ball, County Auditor; Jacqueline Graber, County Council member; Pat Dant, County Council member; C. Michael Taylor, Commissioner; Tom McCracken, Commissioner; Kent J. Norris, County Council member; Mike Myers, County Council member; Nathan Gabhart, President of Board of County Commissioners; and Mike Sprinkle, President of County Council.

The changes to Finding 2015-003 were discussed on September 19, 2017, with Patricia K. Ball, County Auditor, and Nathan Gabhart, President of the Board of County Commissioners.

CLERK OF THE CIRCUIT COURT
DAVISS COUNTY

CLERK OF THE CIRCUIT COURT
DAVISS COUNTY
FEDERAL FINDING

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

Condition

There was a lack of segregation of duties within the internal control system of the Clerk of the Circuit Court (Clerk) related to financial transactions and reporting. The Clerk had not separated incompatible activities related to cash and investments or disbursements.

Cash and Investments - Individuals with responsibilities for receipting and disbursing funds also performed the monthly bank reconciliations. There was no indication of a review, oversight, or approval process.

Disbursements - Individuals with responsibility for disbursing funds had complete control over the disbursements function. The same individuals responsible for preparation of checks also used the Clerk's signature stamp to sign those checks authorizing payment. There was no indication of a review, oversight, or approval process.

Criteria

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

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

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

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

Cause

Management of the County had not established a proper system of internal control over the Clerk's cash and investments or disbursements.

Effect

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

Views of Responsible Officials

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

Clerk of the Circuit Court

49th Judicial Circuit



Janice M. Williams

Courthouse – 200 E. Walnut Street
P.O. Box 739
Washington, IN 47501

CORRECTIVE ACTION PLAN

FINDING 2015-002 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS REPORTING

Contact Person Responsible for Corrective Action: Janice M. Williams
Contact Phone Number: 812-254-8690

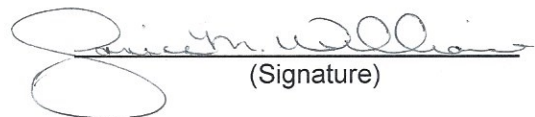
Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: In regard to the Internal Controls Over Financial Transactions, I immediately took steps to implement more effective internal controls within our office. I have a Superior Court deputy clerk check out and balance the drawer of the Circuit Court side of the office each day and a Circuit Court deputy clerk checks out and balances the drawer of the Superior Court side each day. I have a deputy clerk who has not receipted in the ISETS system check out and balance that drawer each day and one of the deputy clerks puts the bank deposit together. I hand carry the bank deposit to the bank each day or one of the deputy clerks who has not been involved in any part of the checking out process for the day will take the deposit to the bank. We are also documenting on the deposit ticket when it comes back from the bank who took the deposit on that day.

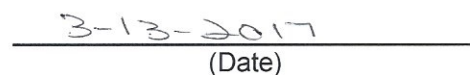
Each day that checks are printed in the office, either myself or one of the deputy clerks will check the report against the checks to make sure it is correct before the checks are issued. We date and initial the report showing that it has been reviewed and is in agreement.

In balancing for each month on our trust and ISETS system, I am reviewing the statements and documenting in red the date and my initials showing that I am in agreement with the balancing for that month. I review and sign the report that is prepared for the Auditor each month and I also review and sign the report that is prepared for the State Auditor every six months. I also authorize the check being issued to the State Auditor as it is now done through an electronic funds transfer.

Anticipated Completion Date: All of the above has been implemented as of February 10, 2017.


(Signature)


(Title)


(Date)

CLERK OF THE CIRCUIT COURT
DAVISS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 20, 2017, with Janice M. Williams, Clerk of the Circuit Court; Patricia K. Ball, County Auditor; Jacqueline Graber, County Council member; C. Michael Taylor, Commissioner; Tom McCracken, Commissioner; Kent J. Norris, County Council member; Mike Myers, County Council member; Nathan Gabhart, President of Board of County Commissioners; Mike Sprinkle, President of County Council; and Grant Swartzentruber, County Attorney.

COUNTY PROSECUTING ATTORNEY
DAVISS COUNTY

COUNTY PROSECUTING ATTORNEY
DAVISS COUNTY
FEDERAL FINDINGS

FINDING 2015-004 - CASH MANAGEMENT

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 in order to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement.

The County Prosecuting Attorney's office's (Prosecutor) internal controls over claiming reimbursements from the program included the following procedures: the Monthly Expense Claim for Title IV-D forms were prepared by the Child Support Administrator and approved by the County Prosecutor before submission to the Indiana Department of Child Services - Child Support Bureau (State).

The Prosecutor's internal controls were not operating effectively. Monthly Expense Claim for Title IV-D forms were submitted by the Prosecutor to the State in advance of the expenditures being paid by the County. The prosecutor's internal controls did not detect that the expenditures had not yet been paid by the County prior to claiming reimbursement.

The Prosecutor was including all claims submitted to the County Auditor's office for payment on the Monthly Expense Claim for Title IV-D forms instead of the actual claims paid by the County Auditor. As a result, the Monthly Expense Claim for Title IV-D forms included amounts owed by the County but not yet paid.

Context

This was a systematic problem as 5 of 36 Monthly Expense Claim for Title IV-D forms tested included expenditures that were paid subsequent to the date of the request for reimbursement.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.305(b)(3) states in part: "Reimbursement is the preferred method when the requirements in paragraph (b) cannot be met, when the Federal awarding agency sets a specific condition per § 200.207 Specific conditions, or when the non-Federal entity requests payment by reimbursement. . . ."

COUNTY PROSECUTING ATTORNEY
DAVISS COUNTY
FEDERAL FINDINGS
(Continued)

Cause

There was not an adequate internal control system in place to ensure compliance with the Cash Management compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance with the compliance requirements of the grant to remain undetected.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish effective controls and implement procedures to comply with the grant agreement and the Cash Management compliance requirement.

Views of Responsible Officials

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

FINDING 2015-005 - REPORTING

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 in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

The County Prosecuting Attorney's office's (Prosecutor) internal controls over reporting program expenditures included the following procedures: Monthly Expense Claim for Title IV-D, Quarterly Incentive Expenditure Report for Title IV-D, and Quarterly Incentive Balance Form for Title IV-D reports were prepared by the Child Support Administrator and approved by the Prosecutor before submission to the Indiana Department of Child Services - Child Support Bureau (State).

The Prosecutor's internal controls did not detect that the Monthly Expense Claim for Title IV-D and Quarterly Incentive Expenditure Report for Title IV-D reports filed by the County to the state were not supported by the ledger maintained by the County Auditor.

The Monthly Expense Claim for Title IV-D and Quarterly Incentive Expenditure Report for Title IV-D reports were submitted by the Prosecutor to the state and included expenditures paid in advance of the reimbursement claims by the County.

COUNTY PROSECUTING ATTORNEY
DAVISS COUNTY
FEDERAL FINDINGS
(Continued)

Context

This was a systematic problem as 7 of 52 tested Monthly Expense Claim for Title IV-D, Quarterly Incentive Expenditure Report for Title IV-D, and Quarterly Incentive Balance Form for Title IV-D reports did not agree with the County Auditor's ledger.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following . . .

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements . . .
- (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation. . . ."

Cause

There was not an adequate internal control system in place to ensure compliance with the Reporting compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance with compliance requirements of the grant to remain undetected.

Questioned Costs

There were no questioned costs identified.

COUNTY PROSECUTING ATTORNEYS
DAVISS COUNTY
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the County's management establish effective controls and implement procedures to comply with the grant agreement and the Reporting compliance requirement.

Views of Responsible Officials

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

STATE OF INDIANA

CRIMINAL/TRAFFIC DIVISION

Telephone: (812) 254-8673

Fax: (812) 254-8687

PROSECUTING ATTORNEY

49th JUDICIAL CIRCUIT

Daviess County, Indiana

200 East Walnut Street, Suite B03

Washington, IN 47501

CHILD SUPPORT DIVISION

Telephone: (812) 254-8680

Fax: (812) 254-8646

DANIEL S. MURRIE

Prosecutor

DONITA M. FARR

Chief Deputy Prosecutor

J. DAVID LETT

Deputy Prosecutor

JENNIFER L. JOHNSON

Deputy Prosecutor

CORRECTIVE ACTION PLAN

FINDING 2015-004 CASH MANAGEMENT

Contact Person Responsible for Correction Action: Rechel Wilz, IV-D Administrator

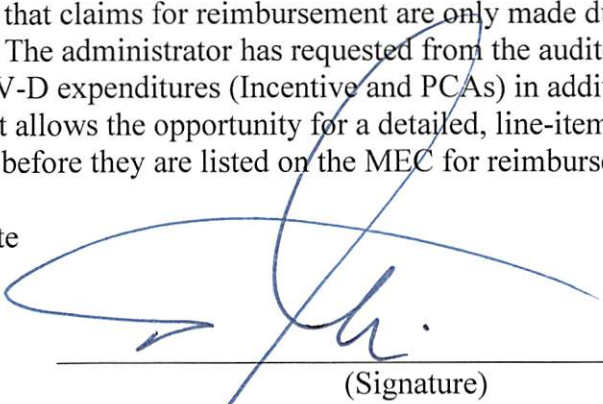
Contact Phone Number: (812) 254-8680

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

In previous years, our office submitted claims for reimbursement the month they were submitted to the auditor. It is now recognized that claims should only be listed on the MEC when they are actually paid by the auditor, regardless of the month in which the IV-D office submitted them. Sometime around the summer of 2015, the state child support financial group contacted our office and brought this issue to our attention. For months that the MEC did not match the auditor's records, prior month adjustments were completed. Since that time, our procedures have been adjusted to ensure that claims for reimbursement are only made during the month claims were paid by the auditor. The administrator has requested from the auditor, a Transaction History Listing Report for IV-D expenditures (Incentive and PCAs) in addition to the Budgetary Status Report. This report allows the opportunity for a detailed, line-item confirmation that claims have been paid before they are listed on the MEC for reimbursement.

Anticipated Completion Date: Immediate



(Signature)

Prosecutor
(Title)

09.19.2017
(Date)

STATE OF INDIANA

CRIMINAL/TRAFFIC DIVISION

Telephone: (812) 254-8673
Fax: (812) 254-8687

PROSECUTING ATTORNEY

49th JUDICIAL CIRCUIT
Daviness County, Indiana
200 East Walnut Street, Suite B03
Washington, IN 47501

CHILD SUPPORT DIVISION

Telephone: (812) 254-8680
Fax: (812) 254-8646

DANIEL S. MURRIE
Prosecutor

DONITA M. FARR
Chief Deputy Prosecutor

J. DAVID LETT
Deputy Prosecutor

JENNIFER L. JOHNSON
Deputy Prosecutor

CORRECTIVE ACTION PLAN

FINDING 2015-005 REPORTING

Contact Person Responsible for Correction Action: Rechel Wilz, IV-D Administrator
Contact Phone Number: (812) 254-8680

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

This finding is directly related to Finding 2015-003. There were a number of instances where the reimbursement claims made by the office did not agree with the ledger maintained with the auditor for the reason that our office was claiming reimbursement for expenses according to the date claims were submitted to the auditor, despite the fact that those were sometimes not paid until the following month. It is now recognized that claims should only be listed on the MEC when they are actually paid by the auditor, regardless of the month in which the IV-D office submitted them. Sometime around the summer of 2015, the state child support financial group contacted our office and brought this issue to our attention. For months that the MEC did not match the state records, prior month adjustments were completed. Since that time, our procedures have been adjusted to ensure that claims for reimbursement are only made during the month claims have been paid by the auditor. The administrator has requested from the auditor, a Transaction History Listing Report for IV-D expenditures (Incentive and PCAs) in addition to the Budgetary Status Report. This report allows the opportunity for a detailed, line-item confirmation that claims have been paid before they are listed on the MEC for reimbursement.

Anticipated Completion Date: Immediate



(Signature)

Prosecutor

(Title)

04.19.2017

(Date)

State Board of Accounts
302 West Washington Street
Indianapolis, IN 46204-2765

OFFICIAL RESPONSE

Finding 2015-004 and Finding 2015-005

The State Board of Accounts (SBOA) has been extraordinarily helpful and professional during every audit of the Daviess County Prosecutor's Office. However, the most recent SBOA findings 2015-004 and 2015-005 do not demonstrate a violation of state or federal policy.

The SBOA frames its findings against the premise that the Prosecutor's Office violated a federal regulation by submitting claims for reimbursement before the claim was actually paid by the county. The SBOA has not cited a specific statute or regulation that shows a violation for submitting claims for reimbursement before actual payment is made. Further, the SBOA has not shown reimbursement from the federal government occurred before the claims were actually paid by the county auditor irrespective of the date of the claims submitted by the Prosecutor's Office.

The SBOA identifies 2 CFR §200.303 as a criteria for finding a violation. 2 CFR §200.303 references compliance with the Standards for Internal Control in the Federal Government which provides as follows:

Internal Control Provides Reasonable Assurance, Not Absolute Assurance
Management should design and implement internal control based on the related cost and benefits. No matter how well designed and operated, internal control cannot provide absolute assurance that all agency objectives will be met. Factors outside the control or influence of management can affect the entity's ability to achieve all of its goals. For example, human mistakes, judgment errors, and acts of collusion to circumvent control can affect meeting agency objectives. Therefore, once

in place, internal control provides reasonable, not absolute, assurance of meeting agency objectives.

Standards for Internal Control in the Federal Government (1999) Page 6

Contrary to the findings of the SBOA, the Prosecutor's Office did have a policy in place that provides reasonable assurance of compliance with all applicable statutes and regulations.

The SBOA identifies 2 CFR §200.305 subpart (4) as a criteria for finding a violation. 2 CFR §200.305 subpart (4) does not apply to the Prosecutor's IV-D program. 2 CFR §200.305(4) addresses the proper procedures for payment when advance cash payments to the non-Federal entity are necessary due to the lack of feasibility for advance payments under subpart (1) and the lack of sufficient working capital of the non-Federal entity.

The Daviess County Prosecutor's IV-D program has not requested advance cash payments, nor do either of the findings relate to requests by the Prosecutor's IV-D program for advance cash payments. As such, subpart (4) is not applicable to the Prosecutor's IV-D program.

The relevant findings relate to claims made for *reimbursement*, which, according to federal policy, is the preferred method for payment. 2 CFR §200.305(3) is the applicable subpart for the method of payment for which the IV-D program uses. Subpart (3) provides:

“When the reimbursement method is used, the Federal awarding agency or pass-through entity must make payment within 30 calendar days after receipt of the billing, unless the Federal awarding agency or pass-through entity reasonably believes the request to be improper.”

There has been no finding that any of the requests by the IV-D program have been improper. The requests for reimbursement have been for expenses for which the IV-D office has been billed. The IV-D program has operated in compliance with the same regulation cited by the SBOA.

With regard to Finding 2015-005- (Reporting), the Prosecutor's Office cannot provide an appropriate response for the reason that this finding is a direct result of Finding 2015-004- (Cash Management), the finding for which no specific statutory or regulatory violation has been cited by the SBOA.

In summary, there is no evidence of malfeasance or misfeasance. All money was accounted for and every transaction proposed was accurate in all respects except timing. Claiming reimbursement before actual payment was presented as a violation; however, there has been no citing to any specific statute or regulation. Without a specific reference to legal authority, the SBOA cannot maintain its burden to show the violation. If anything, the only error made by the Prosecutor's Office was in being too efficient. The same federal regulation cited by the SBOA (2 CFR §200.305) also provides that payment methods must minimize the time elapsing between the transfer of funds between the federal or state government and the non-Federal entity. The actions taken by the Prosecutor's Office in submitting claims for reimbursement for expenses during the months they were billed is not incompatible with that policy.

Regardless of the above, the issue identified by the SBOA was identified and the procedure was changed years before the audit occurred. The Daviess County Prosecutor's Office has been operating at a standard above the requirements of both the state and federal government since 2015.

COUNTY PROSECUTING ATTORNEY
DAVISS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 20, 2017, with Daniel S. Murrie, County Prosecuting Attorney; Janice M. Williams, Clerk of the Circuit Court; Patricia K. Ball, County Auditor; Jacqueline Graber, County Council member; C. Michael Taylor, Commissioner; Tom McCracken, Commissioner; Kent J. Norris, County Council member; Mike Myers, County Council member; Nathan Gabhart, President of Board of County Commissioners; Mike Sprinkle, President of County Council; and Grant Swartzentruber, County Attorney.

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DAVISS-MARTIN COUNTY JOINT PARK
DAVISS COUNTY

DAVIESS-MARTIN COUNTY JOINT PARK
DAVIESS COUNTY
AUDIT RESULT AND COMMENT

SUPPORTING DOCUMENTATION

The following disbursements did not include supporting documentation to support the purchase.

<u>Date</u>	<u>Amount</u>	<u>Payee</u>	<u>Description of Purchase (if any)</u>
02-17-15	\$ 1,900	West Boggs Park Foundation	Utility Services
04-24-15	3,384	West Boggs Park Foundation	Telephone and Utility Services
06-15-15	<u>2,069</u>	West Boggs Park Foundation	Supplies, Chemicals, Equipment, Postage, and Other Operational Expenses
Totals	<u>\$ 7,353</u>		

Due to the lack of supporting information, we could not verify the purpose of the disbursement.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

DAVISS-MARTIN COUNTY JOINT PARK
DAVISS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 20, 2017, with Patricia K. Ball, County Auditor; Jacqueline Graber, County Council member; C. Michael Taylor, Commissioner; Tom McCracken, Commissioner; Kent J. Norris, County Council member; Mike Myers, County Council member; Nathan Gabhart, President of Board of County Commissioners; and Mike Sprinkle, President of County Council.

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BOARD OF COUNTY COMMISSIONERS
DAVISS COUNTY

BOARD OF COUNTY COMMISSIONERS
DAVISS COUNTY
FEDERAL FINDING

FINDING 2015-003 - FINANCIAL TRANSACTIONS AND REPORTING

Condition

There were deficiencies in the internal control system of the County Auditor and the Board of County Commissioners related to financial transactions and reporting regarding economic development activities and Daviess-Martin County Joint Park activities. Adequate controls were not in place to ensure that contracts and agreements entered into by the County were adhered to and that disbursements for these activities had adequate documentation to ensure the funding was used for their intended purposes.

Loan Agreement - Economic Development

The County entered into a loan agreement with Daviess County Economic Development Foundation, Inc (Foundation), a not-for-profit entity, on June 1, 2006, to lend the \$5,125,000 proceeds of the Taxable Economic Development Income Tax Revenue Bonds of 2006, Series A and B to the Foundation. The loan agreement states: "The Series 2006 Bonds issued under the Indenture will be payable solely out of: the payments to be made by the Borrower on the Series 2006 Notes and any other notes issued hereunder; the City Annual Appropriation, the County EDIT Pledge, junior and subordinate to the 2005 Bonds, and County Revenues. . . .; and Bond proceeds and proceeds of condemnation and insurance." The Bond Purchase Agreement dated June 22, 2006, also indicates in subsection (1)(c)(5): ". . . the Bonds are payable from loan repayments from the Borrower under the Loan Agreement, offset by available County EDIT Pledge, County Revenues and City Annual Appropriation, to the extent available."

There was no evidence that the Foundation made any loan payments to the County throughout the duration of the agreement in accordance with the Loan Agreement referred to above. The County paid off the 2006 Series A and B Bonds early on March 30, 2017, using County General funds in the amount of \$2,196,073.

Disbursement Documentation - Economic Development

The Board of County Commissioners and the County Auditor approved and processed disbursements to several not-for-profit entities for economic development activities without adequate documentation to ensure the funds were spent for their intended uses. Disbursements were made in 2015 to the following entities without proper documentation:

Daviess County Economic Development Corporation	(Corporation)	\$149,500
Daviess County Economic Development Foundation	(Foundation)	178,262
Daviess County Revolving Loan Corporation		235,669
Daviess County Economic Development Commission	(Commission)	<u>45,000</u>

Total Disbursed without Adequate Supporting Documentation \$ 608,431

All the entities noted above maintained the same mailing and business address so all payments went to the same business location. There were no contracts, invoices, or other documentation to indicate what the payments to the Revolving Loan Corporation and the Commission were for. Additionally, the check issued to the Commission was cashed by the Corporation.

BOARD OF COUNTY COMMISSIONERS
DAVISS COUNTY
FEDERAL FINDING
(Continued)

The County provided a contract with the Corporation and Foundation. However, both contracts provided were exactly the same, including the services to be provided, date signed, and signatures of officers. The claims for payment submitted to the County Auditor and approved by the County Commissioners included invoices from the Corporation and the Foundation, but the invoices were not itemized and only included a time period for the invoice and a total amount due. The contract (as noted below) stated that the invoice shall itemize hours expended by each category of employee.

Each contract had specific wording for submitting invoices for payment as follows:

"The Foundation (or Corporation) shall submit invoices to Daviess County for the services performed on a periodic basis, not more often than monthly, utilizing claim forms acceptable to the Indiana State Board of Accounts and Daviess County Auditor, itemizing the number of hours expended by each category of employees set forth in Exhibit A."

"The Corporation shall submit invoices to Daviess County for the services performed on a periodic basis, not more often than monthly, utilizing claim forms acceptable to the Indiana State Board of Accounts and Daviess County Auditor, itemizing the number of hours expended by each category of employees set forth in Exhibit A."

Exhibit A in both contracts specified the positions and hourly rates of employees as Executive Director, \$95 per hour; Engineer, \$75 per hour; and Administrative Assistant, \$24.50 per hour.

Disbursement Documentation - Daviess-Martin County Joint Park

The Board of County Commissioners and the County Auditor approved and processed disbursements to the West Boggs Foundation (Foundation) without adequate documentation to ensure the funds were spent for their intended uses. Three payments, totaling \$7,353, were made without supporting documentation to West Boggs Park Foundation. The Daviess-Martin County Joint Park (Park) had an agreement with the Foundation to perform administrative services for the park. The Foundation paid the park bills on behalf of the Park and submitted one monthly claim to the County Auditor for reimbursement of expenses paid on behalf of the Park and payment for services provided by the Foundation. Adequate supporting documentation for the amounts owed was not provided for audit by either the Foundation or the Park department.

Criteria

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

BOARD OF COUNTY COMMISSIONERS
DAVISS COUNTY
FEDERAL FINDING
(Continued)

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.

Cause

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

Effect

The failure to establish controls enabled noncompliance with the contracts 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.

BOARD OF DAVISS COUNTY COMMISSIONERS

200 E. WALNUT STREET
WASHINGTON, IN 47501
PHONE: 812-254-8662 FAX: 812-254-8697

CORRECTIVE ACTION PLAN

FINDING 2015-003

Contact Person Responsible for Corrective Action: Nathan Gabhart, President Daviess County BOC

Contact Phone Number: 812-259-1703

Views of Responsible Official: As a new commissioner in January 2015, I have voiced similar concerns with how these contracts have been administered and have voted against or abstained from approving the claims. The lack of documentation of services being rendered, the number of hours involved and the duplicity of the two contracts have been concerns of mine from my first awareness of the contracts existence. In regards to West Boggs Foundation Disbursement, I was unaware of these instances however will take immediate action to remedy them.

Description of Corrective Action Plan: I have asked the DCEDC/F a number of times, and have shown them examples of other Counties, to present more documentation to the Commissioners in order to ensure the Scopes of Services are being rendered and more importantly the return on investment from those services. Unfortunately, this has yet to be done. Going forward, the corrective action needs to entail:

1. Proper chain of Command
 - DCEDC/F must present the proper documentation to the Commissioners in a public meeting for claim approval.
 - DCEDC/F should not seek approval from the Council for contracts with the County, since this is a Commissioner responsibility. The funds have already been appropriated by the Council therefore the commissioners should be the final authority.
2. Documentation provided to the commissioners, at a minimum should be the final authority.
 - Detailed list of activities and hourly rates (similar to an attorney bill)
3. Current duplicate contracts with the DCEDC/F have been terminated.

West Boggs Foundation Disbursement: Ensure all supporting documentation is included for claim approval.

Anticipated Completion Date: January 2018

Nathan Golbach
(Signature)

President, Commission
(Title)

9-19-17
(Date)

BOARD OF COUNTY COMMISSIONERS
DAVISS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 20, 2017, with Janice M. Williams, Clerk of the Circuit Court; Patricia K. Ball, County Auditor; Jacqueline Graber, County Council member; C. Michael Taylor, Commissioner; Tom McCracken, Commissioner; Kent J. Norris, County Council member; Mike Myers, County Council member; Nathan Gabhart, President of Board of County Commissioners; Pat Dant, County Council member; and Mike Sprinkle, President of County Council.

The changes to Finding 2015-003 were discussed on September 19, 2017, with Patricia K. Ball, County Auditor, and Nathan Gabhart, President of the Board of County Commissioners.