

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BOONE COUNTY, INDIANA

January 1, 2016 to December 31, 2016



FILED
12/20/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Deanna Willhoite Carla Newcomer Heather Myers	01-01-13 to 04-30-16 05-01-16 to 09-04-16 09-05-16 to 12-31-20
County Treasurer	Deborah Ottinger	01-01-13 to 12-31-20
Clerk of the Circuit Court	Jessica Fouts	01-01-15 to 12-31-18
County Sheriff	Mike Nielsen	01-01-15 to 12-31-18
County Recorder	Nikki Baldwin	01-01-13 to 12-31-20
President of the Board of County Commissioners	Jeff Wolfe Donald Lawson	01-01-16 to 12-31-16 01-01-17 to 12-31-17
President of the County Council	Steve Jacob	01-01-16 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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TO: THE OFFICIALS OF BOONE COUNTY, INDIANA

This report is supplemental to our audit report of Boone 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 Result and Comment 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 Result and Comment contained herein describes the identified reportable instance 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 or Official Response for the Audit Result and Comment, incorporated within this report, was not verified for accuracy.

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

December 18, 2017

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COUNTY AUDITOR
BOONE COUNTY

COUNTY AUDITOR
BOONE COUNTY
FEDERAL FINDINGS

FINDING 2016-001

Subject: Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediate prior year. The prior year finding number was 2015-002.

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). Although the County had procedures in place that provided for a review and approval of information reported on the SEFA, the controls were not effective.

The SEFA presented for audit contained the following errors in reported federal expenditures:

1. The Highway Planning and Construction grant (CFDA #20.205) was understated by \$2,134.
2. The Formula Grants for Rural Areas (CFDA #20.509) were overstated by \$88,313.
3. The State and Community Highway Safety grant (CFDA #20.600) was understated by \$45,280.
4. The Alcohol Impaired Driving Countermeasures Incentive Grants I (CFDA #20.601) were overstated by \$15,850.
5. The Occupant Protection Incentive Grants (CFDA #20.602) were included in error, resulting in an overstatement of \$29,431.
6. The Public Health Emergency Preparedness grant (CFDA #93.069) was understated by \$45,389.
7. The Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements grant (CFDA #93.074) was overstated by \$45,390.
8. The Child Support Enforcement grant (CFDA #93.563) was overstated by \$48,134.
9. The Homeland Security Grant Program (CFDA #97.067) was overstated by \$5,000.
10. The Bulletproof Vest Partnership Program (CFDA #16.607) was included in error, resulting in an overstatement of \$10,500.

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

COUNTY AUDITOR
BOONE COUNTY
FEDERAL FINDINGS
(Continued)

Context

The lack of effective controls was a systemic issue throughout the audit period. The federal expenditures reported on the SEFA presented for audit were materially incorrect.

Criteria

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

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

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

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

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

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

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
BOONE 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

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

Recommendation

We recommended that the County's management establish effective control procedures to ensure proper reporting of the SEFA.

Views of Responsible Officials

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

FINDING 2016-002

Subject: Financial Close and Reporting
Audit Findings: Material Weakness, Noncompliance

COUNTY AUDITOR
BOONE COUNTY
FEDERAL FINDINGS
(Continued)

Repeat Finding

This is a repeat finding from the immediate prior year. The prior year finding number was 2015-001.

Condition

There were deficiencies in the internal control system of the County related to financial reporting. The County Auditor had not implemented effective internal controls over the activities related to financial statement reporting. The County Auditor prepared and submitted its financial information in the Indiana Gateway for government units financial reporting system (Gateway) without oversight or review to verify the accuracy prior to submission. The information in Gateway is the basis for the Annual Financial Report (AFR) and the financial statement.

The AFR and financial statement presented for audit included the following errors:

1. The financial information for the County Treasurer was not accurate. The Treasurer fund included the amount for settlements, which resulted in an overstatement of \$102,593,170 for receipts, an overstatement of \$102,596,579 for disbursements, and an understatement of the ending cash and investments balance of \$3,409.
2. The Community Corrections fund receipts and disbursements were understated by \$206,690 and \$206,689, respectively.
3. The Comm Corrections Proj Income fund receipts and disbursements were understated by \$22,067 and \$22,067, respectively.
4. The Juv Detention Alt Initiat fund receipts and disbursements were overstated by \$153 and \$152, respectively.

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

Context

The lack of controls was a systemic problem throughout the audit period.

Criteria

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

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

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

COUNTY AUDITOR
BOONE COUNTY
FEDERAL FINDINGS
(Continued)

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

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

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

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

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

Cause

Management of the County had not established a proper system of internal control related to financial close and reporting.

Effect

The failure to establish controls enabled material misstatements to remain undetected.

Recommendation

We recommended that the County's management establish effective control procedures in order to ensure proper financial reporting.

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 Auditor
Boone County
201 Courthouse Square
Lebanon, IN 46052**

**Heather R. Myers
Auditor**

(765) 482-2940
Fax: (765) 483-4434

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Heather Myers, County Auditor
Contact Phone Number: 765-482-2940

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Errors on the Schedule of Expenditures of Federal Awards for 2016 of Material Weakness. For 2017 we have hired an additional person in order to implement additional controls to review, approve and increase the reporting details with the county departments for better checks and balance to identify and reduce the risk of achieving the most accurate financial information, Local Project Name, Federal Program/Title, Agency, Pass Through Agency, CFDA Number, Award Number, Grant Type, Local Fund, Receipts, Disbursements is being prepared and reported on the Annual Financial Report.

Anticipated Completion Date: April 30th, 2018

FINDING 2016-002

Contact Person Responsible for Corrective Action: Heather Myers, County Auditor
Contact Phone Number: 765-482-2940

Views of Responsible Official: We concur with the finding.

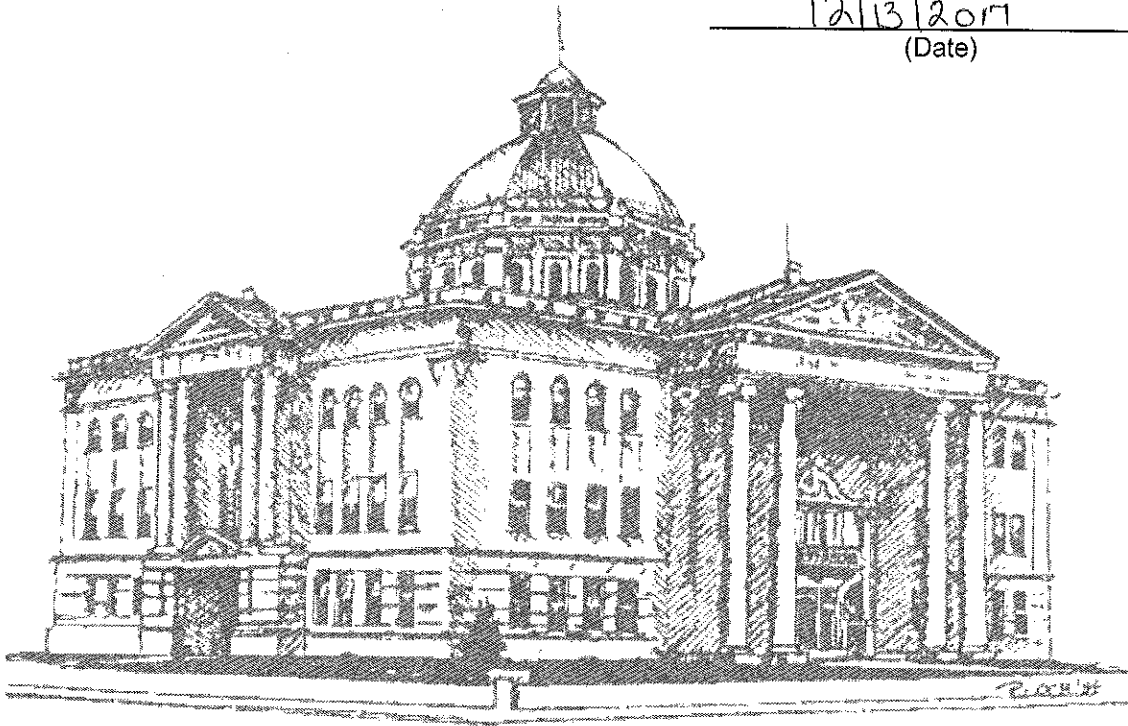
Description of Corrective Action Plan: Financial Close and Reporting material weakness. For 2017 we continue to put in place additional Internal Controls to reduce the risk of deficiencies in reporting, to improve and verify the accuracy that the departments are reporting to drill down and compare and audit with our reports on the accuracy of this information prepared and turned in by these departments to provide controls that account for more accurate receipts and disbursements as to eliminate the overstating and understating of these Funds on the Annual Financial Report.

Anticipated Completion Date: April 30th, 2018


Heather R. Myers

Auditor
(Title)

12/13/2017
(Date)



COUNTY AUDITOR
BOONE COUNTY
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The Financial Statement and Single Audit Report for the County included the following funds with overdrawn cash balances at December 31, 2016:

Fund	Amount Overdrawn
Cash Circuit Court Administration	\$ 952
Cash 2006 Reassmnt	500
Employee Health Fund	442,364
JARC Grant	1,513
Aggressive Driving	41

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

**Office of the Auditor
Boone County**
201 Courthouse Square
Lebanon, IN 46052

**Heather R. Myers
Auditor**

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Fax: (765) 483-4434

December 18th, 2017

Indiana State Board of Accounts
302 West Washington Street
Room E 418
Indianapolis, IN 46204-2765

RE: OFFICIAL RESPONSE

This letter serves as an Official Response for Boone County Audit Result and Comment regarding the Financial Statement and Single Audit Report for the Note Cash Balance Deficits on the overdrawn cash balances at December 31, 2016. The Boone County Auditor has corrected effective December 18th, 2017 to no longer be overdrawn 1. Cash Circuit Court Administration by \$952.00 2. Cash 2006 Reassessment Fund by \$500.00 3. Employee Health Fund by \$442,364.00 5. Aggressive Driving Fund \$41.00. We are in the process of correcting 4. JARC Grant by \$1,513.00.

We would request this be noted and/or acknowledged as corrected in our audit response.

Thank you,


Heather R. Myers
Boone County Auditor

COUNTY AUDITOR
BOONE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2017, with Heather Myers, County Auditor; Donald Lawson, President of the Board of County Commissioners; Steve Jacob, President of the County Council; Jeff Wolfe, County Commissioner; Marcia Willhoite, County Council member; Tom Santelli, County Council member; Elise Nieshalla, County Council member; Brian Buchanan, County Council member; Robert Clutter, County Attorney; Crystal Raub, Deputy County Auditor; Carla Newcomer, former County Auditor; and Deanna Willhoite, former County Auditor.