

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

VANDERBURGH COUNTY, INDIANA

January 1, 2017 to December 31, 2017



FILED
08/14/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
County Auditor:	
Federal Finding:	
Finding 2017-001	
Preparation of the Schedule of Expenditures of Federal Awards	6-8
Corrective Action Plan	9
Official Response.....	10
Exit Conference	11
County Health Department:	
Audit Result and Comment:	
Annual Financial Report.....	14
Exit Conference	15

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	01-01-17 to 12-31-20
Clerk of the Circuit Court	Carla Hayden	01-01-17 to 12-31-20
County Sheriff	David L. Wedding	01-01-15 to 12-31-18
President of the County Council	John Montrastelle	01-01-17 to 12-31-18
President of the Board of County Commissioners	Bruce Ungethiem	01-01-17 to 12-31-18



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, 2017 to December 31, 2017. 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 and Official Response to the Audit Result and Comment, incorporated within this report, were not verified for accuracy.

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

July 17, 2018

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COUNTY AUDITOR
VANDERBURGH COUNTY

COUNTY AUDITOR
VANDERBURGH COUNTY
FEDERAL FINDING

FINDING 2017-001

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

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-001.

Condition

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

Context

The SEFA presented for audit contained the following errors:

1. Two grants reported were state funded, resulting in an overstatement of expenditures in the amount of \$101,516.
2. One grant, with expenditures of \$88,937, was reported under an incorrect CFDA number.
3. One grant included expenditures in the amount of \$45,108 from the prior year, resulting in an overstatement of expenditures.
4. Four 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.

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

COUNTY AUDITOR
VANDERBURGH COUNTY
FEDERAL FINDING
(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. . . ."

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 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.

COUNTY AUDITOR
VANDERBURGH COUNTY
FEDERAL FINDING
(Continued)

Effect

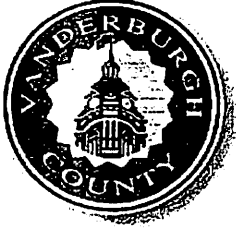
Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the County's management establish controls related to the preparation 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.



BRIAN GERTH
 VANDERBURGH COUNTY AUDITOR
 STATE OF INDIANA

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 Fax: (812) 435-5344
 bagerth@vanderburghgov.org

CORRECTIVE ACTION PLAN

FINDING 2017-001 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action:
 Contact Phone Number:

Brian Gerth
 812-435-5763

Views of Responsible Official:

The Auditor's office feels the finding should have been placed on the Health Department and not the Auditor's office. The Auditor's office tried to implement controls and procedures to help insure the SEFA was accurate, the information provided by the Health Department regarding their grants was incorrect which resulted in the noted errors on the SEFA.

Description of Corrective Action Plan:

The Auditor's office is creating a form that the department will have to fill out before monies will be put into the fund. The form will include the person and department requesting the quietus along with stating if it is Federal or State monies and the fund to put the money into. It will also list the CFDA number, Federal Agency, Federal Program, and the pass through entity. At year end, the Auditor's office will complete the Federal Grant schedule in Gateway. Before submitting the SEFA, the Auditor's office will send a report to each office asking them to verify all awards numbers, CFDA numbers, and amounts and pass through information. Once they have signed off and verified the grant information, the Auditor's office will submit the report.

Anticipated Completion Date:

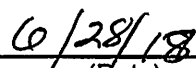
January 31, 2019



 (Signature)



 (Title)



 (Date)



BRIAN GERTH
VANDERBURGH COUNTY AUDITOR
STATE OF INDIANA

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To: State Board of Accounts

From: Brian Gerth, Vanderburgh County Auditor

RE: Preparation of the Schedule of Expenditures of Federal Awards

Date: July 17, 2018

This memorandum is a response to the audit finding for the County Auditor concerning the 2017 County Audit. This finding has been a work in progress for several years. The Auditor's office has made great strides in this area. The reason this finding accrued for 2017 is due to the Health Department Immunization Grant changing from a Federal Grant to a State Grant. The Auditor's office does not get enough information when the monies are received from the Auditor of State and the Treasurer of State. The Auditor's office questioned the Health Department via phone and email to determine if the funding had changed. The Health Department did not follow up with the State agency to determine that funding had changed. The Auditor's office tried to implement controls and procedures to help insure the SEFA was accurate, the information provided by the Health Department regarding their grants was incorrect which resulted in the noted errors on the SEFA.

Sincerely,

A handwritten signature in black ink that reads "Brian Gerth". The signature is written in a cursive, flowing style.

Brian Gerth
Vanderburgh County Auditor

COUNTY AUDITOR
VANDERBURGH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 17, 2018, with Brian Gerth, County Auditor; John Montrastelle, President of the County Council; Bruce Ungethiem, President of the Board of County Commissioners; and Cheryl A.W. Musgrave, Board of County Commissioners member.

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COUNTY HEALTH DEPARTMENT
VANDERBURGH COUNTY

COUNTY HEALTH DEPARTMENT
VANDERBURGH COUNTY
AUDIT RESULT AND COMMENT

ANNUAL FINANCIAL REPORT

The County Health Department did not accurately provide the County Auditor grant information for 2017 to be reported on the County's Schedule of Expenditures of Federal Awards (SEFA).

The SEFA contained the following errors related to the County Health Department:

1. One grant reported was state funded, resulting in an overstatement of expenditures in the amount of \$99,547.
2. One grant, with expenditures of \$88,937, was reported under an incorrect CFDA number.
3. One grant included expenditures in the amount of \$45,108 from the prior year, resulting in an overstatement of expenditures.

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

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

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

COUNTY HEALTH DEPARTMENT
VANDERBURGH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 17, 2018, with Joe B. Gries, Administrator; Brian Gerth, County Auditor; John Montrastelle, President of the County Council; Bruce Ungethiem, President of the Board of County Commissioners; and Cheryl A.W. Musgrave, Board of County Commissioners member.