

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CASS COUNTY, INDIANA

January 1, 2017 to December 31, 2017



FILED
09/21/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Cheryl Alcorn	01-01-17 to 12-31-20
County Treasurer	Kathleen Adair	01-01-17 to 12-31-20
Clerk of the Circuit Court	Beth Liming	01-01-17 to 12-31-20
County Sheriff	Randy Pryor	01-01-15 to 12-31-18
County Recorder	Cindy Howard	01-01-15 to 12-31-18
President of the Board of County Commissioners	James L. Sailors	01-01-17 to 12-31-18
President of the County Council	George L. Stebbins	01-01-17 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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TO: THE OFFICIALS OF CASS COUNTY, INDIANA

This report is supplemental to our audit report of Cass 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 that pertain to the County. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the County, which provides our opinions on the County's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

August 23, 2018

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COUNTY AUDITOR
CASS COUNTY

COUNTY AUDITOR
CASS COUNTY
FEDERAL FINDINGS

FINDING 2017-001

Subject: Financial Transactions and Reporting
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

There were deficiencies in the internal control system of the County related to financial transactions and the input of financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Annual Financial Report (AFR) and the financial statement. Financial information was prepared and submitted into Gateway without effective oversight, review, approval, or other compensating control to ensure the accuracy of the information prior to submission.

Context

Due to a lack of effective controls over the input of the financial information, the original financial information entered into Gateway omitted the Health Insurance Supplemental fund and reported the Treasurer Supplemental fund incorrectly. The financial statement presented for audit contained the following errors:

1. The Health Insurance Supplemental fund beginning cash and investment balance was understated by \$256,748.
2. The Health Insurance Supplemental fund receipts were understated by \$2,919,488.
3. The Health Insurance Supplemental fund disbursements were understated by \$2,875,730.
4. The Health Insurance Supplemental fund ending cash and investments balance was understated by \$300,506.
5. The Treasurer Supplemental fund receipts and disbursements were overstated \$39,557,252.

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

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:

COUNTY AUDITOR
CASS 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.

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. . . ."

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 to ensure proper reporting of the AFR and financial statement.

Effect

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

Recommendation

We recommended that the County establish a system of internal controls related to financial transactions and reporting.

Views of Responsible Officials

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

COUNTY AUDITOR
CASS COUNTY
FEDERAL FINDINGS
(Continued)

FINDING 2017-002

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 2016-002.

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).

The County had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the County's SEFA.

Context

The SEFA presented for audit contained the following errors:

1. The Formula Grants for Rural Areas expenditures were overstated by \$415,523.
2. The State Social Services Block Grant expenditures of \$208,740 were reported in error.
3. The Local Road and Bridges Matching Grant expenditures of \$797,929 were reported in error.
4. The JDAI Grant expenditures of \$73,910 were reported, but this program was not federal.

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
CASS 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. . . ."

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."

COUNTY AUDITOR
CASS COUNTY
FEDERAL FINDINGS
(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 *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.

Cass County Government Building
200 Court Park
Logansport, IN 46947



Cass County Auditor
Cheryl Alcorn
Room 105
574-753-7700 cheryl.alcorn@co.cass.in.us

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: **Cheryl Alcorn, County Auditor**
Contact Phone Number: **574-753-7700**

Views of Responsible Official:
We concur with the finding.

Description of Corrective Action Plan:

The corrective plan of action will include the creation of a Health Insurance Clearing Fund in the financial system. Funds will be quietus by Deputy Auditor and internal banking transferred from the Operating Account to Health Insurance Account. Treasurer will balance monthly and disbursement expenses will be shown in the clearing fund.

Anticipated Completion Date:
Corrective action plan will start immediately.



(Signature)

Cass County Auditor

(Title)

August 20, 2018

(Date)

Cass County Government Building
200 Court Park
Logansport, IN 46947



Cass County Auditor
Cheryl Alcorn
Room 105
574-753-7700 cheryl.alcorn@co.cass.in.us

CORRECTIVE ACTION PLAN

FINDING 2017-002

Contact Person Responsible for Corrective Action: **Cheryl Alcorn, County Auditor**
Contact Phone Number: **574-753-7700**

Views of Responsible Official:
We concur with the finding.

Description of Corrective Action Plan:

The corrective plan of action will include a copy of each EFT notice with the grant CFDA number that will be placed in the grant file for accounting purposes by the bookkeeper. Prior to final submission, another employee will review and document their review of the SEFA.

Anticipated Completion Date:
Corrective action plan will start immediately.



(Signature)

Cass County Auditor

(Title)

August 20, 2018

(Date)

COUNTY AUDITOR
CASS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 23, 2018, with Cheryl Alcorn, County Auditor; James L. Sailors, President of the Board of County Commissioners; George L. Stebbins, President of the County Council; Grover Bishop, County Council member; Michael Stajduhar, County Council member; and Brian Reed, County Council member.