

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MARSHALL COUNTY, INDIANA

January 1, 2016 to December 31, 2016



FILED
10/11/2018

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---------------------------------------------------|--------------------------------------------|----------------------------------------------|
| County Auditor | Julie A. Fox | 01-01-15 to 12-31-18 |
| County Treasurer | Penny A. Lukenbill Angela C. Birchmeier | 01-01-15 to 12-31-16 01-01-17 to 12-31-20 |
| Clerk of the Circuit Court | Deborah P. VanDeMark | 01-01-15 to 12-31-18 |
| County Sheriff | Matthew K. Hassel | 01-01-15 to 12-31-18 |
| County Recorder | Marlene K. Mahler | 01-01-15 to 12-31-18 |
| President of the Board of County Commissioners | Kevin G. Overmeyer | 01-01-16 to 12-31-18 |
| President of the County Council | Judith Stone | 01-01-16 to 12-31-18 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF MARSHALL COUNTY, INDIANA

This report is supplemental to our audit report of Marshall 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 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

September 4, 2018

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COUNTY AUDITOR
MARSHALL COUNTY

COUNTY AUDITOR
MARSHALL COUNTY
FEDERAL FINDINGS

FINDING 2016-002

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 2015-001.

Condition

The County had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units financial reporting system, which was the source for the Schedule of Expenditures of Federal Awards (SEFA). One employee prepared the SEFA without evidence of a review or approval process, or other compensating control.

Context

Due to the lack of controls, the SEFA contained the following errors:

1. The WIC Special Supplemental Nutrition Program for Women, Infants, and Children expenditures were understated by \$13,629.
2. The Historic Preservation Fund Grants-In-Aid expenditures of \$16,940 were included in error.
3. The Highway Planning and Construction Cluster expenditures were overstated by \$5,506.
4. The Child Support Enforcement grant expenditures were overstated by \$11,296.
5. The Emergency Management Performance Grants expenditures of \$40,854 were not reported.

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

Criteria

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

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

COUNTY AUDITOR
MARSHALL COUNTY
FEDERAL FINDINGS
(Continued)

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

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

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
MARSHALL COUNTY
FEDERAL FINDINGS
(Continued)

Cause

The County's management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

The failure to establish and properly implement internal controls enabled material misstatements to go undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the County's management establish controls to ensure accurate 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 2016-005

Subject: WIC Special Supplemental Nutrition Program for Women, Infants, and Children -
Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Program: WIC Special Supplemental Nutrition Program for Women, Infants, and Children
CFDA Number: 10.557
Federal Award Number and Year (or Other Identifying Number): EDS A70-5-070652
Pass-Through Entity: Indiana Department of Health
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Audit Finding: Material Weakness

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 Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

The County had not designed or implemented adequate internal controls to ensure that grant expenditures were for allowable activities and were allowable costs. The claims for program expenditures were prepared and submitted for payment by the WIC Coordinator without an oversight, review, or approval process.

Context

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

COUNTY AUDITOR
MARSHALL COUNTY
FEDERAL FINDINGS
(Continued)

- (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). . . ."

Cause

Management had not developed a system of internal controls to ensure compliance with the compliance requirements listed above.

Effect

The failure to establish an effective internal control system placed the County at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls related to the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

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

FINDING 2016-006

Subject: WIC Special Supplemental Nutrition Program for Women, Infants, and Children -
Cash Management, Period of Performance, Reporting
Federal Agency: Department of Agriculture
Federal Program: WIC Special Supplemental Nutrition Program for Women, Infants, and Children
CFDA Number: 10.557
Federal Award Number and Year (or Other Identifying Number): EDS A70-5-070652
Pass-Through Entity: Indiana Health Department
Compliance Requirements: Cash Management, Period of Performance, Reporting
Audit Findings: Material Weakness, Modified Opinion

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, Period of Performance, and Reporting compliance requirements.

COUNTY AUDITOR
MARSHALL COUNTY
FEDERAL FINDINGS
(Continued)

The County had not designed or implemented adequate internal controls to ensure that the specific grant expenditures included on the reimbursement requests were adequately documented, that they were paid before they were included on a reimbursement request, that they were paid within the period of performance, and that the reimbursement requests were complete and accurate prior to submission. One employee prepared and submitted the reimbursement requests without an oversight, review, or approval process.

The County's compliance with the requirements listed above could not be determined because the expenditures included on each reimbursement request were not adequately documented. Therefore, it could not be determined if the expenditures were paid before reimbursement was requested, if expenditures were within the period of performance, or if the reimbursement requests (reports) were accurate and complete.

Context

The lack of controls and failure to provide adequate supporting documentation for which specific expenditures were included on reimbursement requests were systemic issues throughout the audit period.

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, . . ."

2 CFR 200.309 states:

"A non-federal entity may charge to the Federal award only allowable costs incurred during the period of performance (except as described in § 200.461 Publication and printing costs) and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity."

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 set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . .
- (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. . . ."

COUNTY AUDITOR
MARSHALL COUNTY
FEDERAL FINDINGS
(Continued)

Cause

The County had not developed a system of internal controls that would have ensured that adequate supporting documentation was maintained and made available for audit related to the compliance requirements listed above.

Effect

The failure to establish an effective internal control system, and failure to maintain and provide for audit supporting documentation for the specific expenditures included on the reimbursement requests, prevented the determination of the County's compliance with the compliance requirements listed above.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls to ensure that documentation will be maintained and made available for audit related to compliance with the Cash Management, Period of Performance, and Reporting compliance requirements.

Views of Responsible Officials

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

FINDING 2016-008

Subject: Child Support Enforcement - Allowable Costs/Cost Principles (Cost Allocation Plan)

Federal Agency: Department of Health and Human Services

Federal Program: Child Support Enforcement

CFDA Number: 93.563

Federal Award Numbers and Years (or Other Identifying Numbers): 1504INCSES, FY 1999,
FY 2016, FY 2017

Pass-Through Entity: Indiana Department of Child Services

Compliance Requirement: Allowable Costs/Cost Principles (Cost Allocation Plan)

Audit Finding: Material Weakness

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 allowable costs requirements related to indirect costs and the cost allocation plan.

The County officials certified that the cost allocation plan was true and correct by signing the Certificate of Indirect Cost form without an oversight, review, or approval process.

Context

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

COUNTY AUDITOR
MARSHALL COUNTY
FEDERAL FINDINGS
(Continued)

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). . . ."

Cause

Management had not developed a system of internal controls to ensure compliance with the allowable costs requirements related to indirect costs and the cost allocation plan.

Effect

The failure to establish an effective internal control system placed the County at risk of noncompliance with the grant agreement and the compliance requirement listed above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls to ensure compliance with the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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



Julie A. Fox
Marshall County Auditor
112 W. Jefferson St., Room 205
Plymouth, IN 46563

Phone: 574-935-8555

Email: julief@co.marshall.in.us

Fax: 574-936-4863

CORRECTIVE ACTION PLAN

FINDINGS: 2016-002

Contact Person Responsible for Corrective Action:


Julie A. Fox, Marshall County Auditor
TX: (574) 935-8555

Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan: In reviewing our current Schedule of Federal Awards (SEFA) Grant process and internal controls, it has been made clear that due to a lack of internal reporting requirements and lack of departmental communication, including following the implemented County Ordinance No. 2013-15: An Ordinance Adopting a Marshall County Grant Approval and Administration Policy; and lack of grant applicants expenditure reports to the County Auditor, misstatements of the SEFA went undetected.

We are continually reviewing our current internal control process. Revision will include receipt of additional department documentation (including completed grant application, award letter, itemized department expenditure and receipting reports, grant supporting documents, etc.), segregation of duties and oversight to ensure that any misstatements in the SEFA are detected.

Anticipated Completion Date: January 1, 2019.



Julie A. Fox
Marshall County Auditor
September 4, 2018

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)



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112 W. Jefferson St., Room 205
Plymouth, IN 46563

Phone: 574-935-8555

Email: julief@co.marshall.in.us

Fax: 574-936-4863

CORRECTIVE ACTION PLAN

FINDINGS: 2016-005

Contact Person Responsible for Corrective Action:

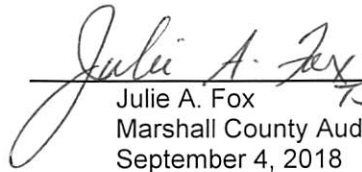
Julie A. Fox, Marshall County Auditor
TX: (574) 935-8555

Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan: In reviewing our current internal controls of the grant process, it has been made clear that due to a lack of internal reporting requirements and lack of departmental communication, including following the implemented County Ordinance No. 2013-15: An Ordinance Adopting a Marshall County Grant Approval and Administration Policy; and lack of grant applicants expenditure reports to the County Auditor, the claims for WIC Program expenditures were prepared and submitted for payment by the WIC Coordinator without an oversight, review, or approval process.

We are continually reviewing our current internal control process. Revision will include receipt of additional department documentation (including completed grant application, award letter, itemized department expenditure and receipting reports, grant supporting documents, etc.), segregation of duties and oversight to ensure that the activities and costs are allowable.

Anticipated Completion Date: January 1, 2019.



Julie A. Fox
Marshall County Auditor
September 4, 2018

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)



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CORRECTIVE ACTION PLAN

FINDINGS: 2016-006

Contact Person Responsible for Corrective Action:

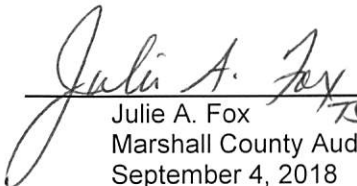
Julie A. Fox, Marshall County Auditor
TX: (574) 935-8555

Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan: In reviewing our current internal controls of the grant process, it has been made clear that due to a lack of internal reporting requirements and lack of departmental communication, including following the implemented County Ordinance No. 2013-15: An Ordinance Adopting a Marshall County Grant Approval and Administration Policy; and lack of grant applicants expenditure reports to the County Auditor, lack of controls of failure to provide supporting documentation that WIC Program expenditures were expended prior to request for reimbursement.

We are continually reviewing our current internal control process. Revision will include receipt of additional department documentation (including completed grant application, award letter, itemized department expenditure and receipting reports, grant supporting documents, etc.) and oversight to ensure that expenditures are paid before reimbursement is requested.

Anticipated Completion Date: January 1, 2019.


Julie A. Fox
Marshall County Auditor
September 4, 2018

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)



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CORRECTIVE ACTION PLAN

FINDINGS: 2016-008

Contact Person Responsible for Corrective Action:


Julie A. Fox, Marshall County Auditor
TX: (574) 935-8555

Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan: In reviewing our current internal controls, it has been made clear that there is a lack of internal controls over the cost allocation plan during the review and approval process.

We are continually reviewing our current internal control process. Revision will include ensuring compliance with requirements related to the grant agreement and the allowable cost requirements related to the indirect costs and cost allocation plan.

Anticipated Completion Date: January 1, 2019.



Julie A. Fox
Marshall County Auditor
September 4, 2018

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

COUNTY AUDITOR
MARSHALL COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 4, 2018, with Julie A. Fox, County Auditor; Kevin G. Overmeyer, President of the Board of County Commissioners; Kurt Garner, County Commissioner; Mike Delp, County Commissioner; Bill Githens, County Council member; Don Morrison, County Council member; Jim Masterson, County Council member; Jon Van Vactor, County Council member; and Judith Stone, President of the County Council.

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COUNTY TREASURER
MARSHALL COUNTY

COUNTY TREASURER
MARSHALL COUNTY
FEDERAL FINDING

FINDING 2016-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition

There were deficiencies in the internal control system of the County Treasurer related to financial transactions and reporting. The County Treasurer had not separated incompatible activities related to cash and investments.

The County Treasurer prepared the bank reconciliation without an oversight, review, or approval process.

Context

The lack of controls was a systemic issue 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:

COUNTY TREASURER
MARSHALL COUNTY
FEDERAL FINDING
(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. . . ."

Cause

Management of the County Treasurer's office had not established a proper system of internal controls that segregated key functions.

Effect

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

Recommendation

We recommended that the County's management establish a system of controls, including segregation of duties, related to financial transactions and reporting of cash and investments.

Views of Responsible Officials

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



TREASURER OF MARSHALL COUNTY

Angela C. Birchmeier

112 W. Jefferson Street

Room 206

Plymouth, IN 46563

Phone 574-935-8520

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action:

Angela C. Birchmeier

Marshall County Treasurer

Contact Phone Number: 574-935-8518

Views of Responsible Official: We concur with the finding.

The Marshall County Treasurer will include the bank statement each month along with the 47TR, Monthly Comparison Report, Monthly Financial Report and month end Cash Book to the Auditor each month. The Auditor will verify what the Treasurer has allowed for on the bank statement and initial the bank statement.

Anticipated Completion Date: September, 2018

A handwritten signature in cursive script, reading "Angela C. Birchmeier", is written over a horizontal line.

Angela C. Birchmeier
Marshall County Treasurer
August 20, 2018

COUNTY TREASURER
MARSHALL COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 4, 2018, with Angela C. Birchmeier, County Treasurer.

The contents of this report were discussed on September 4, 2018, with Julie A. Fox, County Auditor; Kevin G. Overmeyer, President of the Board of County Commissioners; Kurt Garner, County Commissioner; Mike Delp, County Commissioner; Bill Githens, County Council member; Don Morrison, County Council member; Jim Masterson, County Council member; Jon Van Vactor, County Council member; and Judith Stone, President of the County Council.

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CLERK OF THE CIRCUIT COURT
MARSHALL COUNTY

COUNTY CLERK OF THE CIRCUIT COURT
MARSHALL COUNTY
FEDERAL FINDINGS

FINDING 2016-003

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-003.

Condition

There were deficiencies in 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.

One person prepared the bank reconciliation without an oversight, review, or approval process.

Context

The lack of adequate internal controls was a systemic issue 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. . . .

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 Clerk's office had not established a proper system of internal controls that segregated key functions.

Effect

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

COUNTY CLERK OF THE CIRCUIT COURT
MARSHALL COUNTY
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the County's management establish a system of controls, including segregation of duties, related to financial transactions and reporting of cash and investments.

Views of Responsible Officials

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

FINDING 2016-007

Subject: Child Support Enforcement - Allowable Costs/Cost Principles (Time and Effort)
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): FY 2016
Pass-Through Entity: Indiana Department of Child Services
Compliance Requirement: Allowable Costs/Cost Principles (Time and Effort)
Audit Findings: Material Weakness, Other Matters

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 allowable costs requirements related to documentation of time and effort.

The Clerk of the Circuit Court had not designed or implemented adequate internal controls to ensure that personnel activity reports that documented time and effort spent on the program were accurately maintained. Employees allocated their time evenly between child support (IV-D) cases and other cases. They did not properly document the time spent on, or the number of, IV-D cases on which they worked.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period.

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). . . ."

COUNTY CLERK OF THE CIRCUIT COURT
MARSHALL COUNTY
FEDERAL FINDINGS
(Continued)

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.

These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Cause

The County's management had not designed or implemented effective internal controls that would have ensured compliance with the grant agreement and the allowable costs requirements regarding documentation of time and effort.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the Allowable Costs/Cost Principles compliance requirement could have resulted in the loss of federal funds to the County.

Questioned Costs

There were no questioned costs identified.

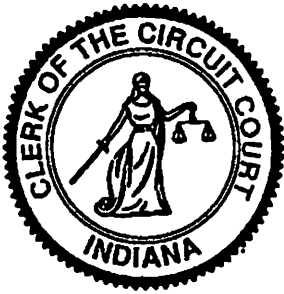
COUNTY CLERK OF THE CIRCUIT COURT
MARSHALL COUNTY
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the County's management establish controls to ensure compliance and comply with the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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



Marshall Circuit and Superior Courts

Deborah VanDeMark, Clerk

211 West Madison Street, Plymouth, IN 46563

Telephone: 574-936-8922

Fax: 574-936-8893

CORRECTIVE ACTION PLAN

FINDING 2016-003

Contact Person Responsible for Corrective Action: Deborah VanDeMark

Contact Phone Number: 574-935-8701

Views of Responsible Official: We concur with the finding.

Prior Finding: 2015-003 There were deficiencies in the internal control system of the County related to financial transactions and reporting of the Clerk of the Circuit Court (Clerk). The Clerk had not separated incompatible actives related to cash and investments. Daily deposits of the Clerk receipts were prepared by the same employee who performed the monthly bank reconciliations. There was no segregation of the duties, such as an oversight, review or approval process.

Corrective Action Plan was: The Clerk's office will segregate the duties between the person preparing the daily deposits and the person performing the monthly reconciliation.

Description of Corrective Action Plan: The Clerk segregated the duties between the person preparing the daily deposits and the person performing the monthly bank reconciliation on January of 2016. The Clerk stores documentation with each miscellaneous adjustment with the financial records. It was explained that because the miscellaneous adjustments in reconciling were not segregated by initialing of another individual we did not correct the deficiency.

Beginning August of 2018, the Clerk will have oversight of the financial reconciliation adjustment sheet by the bookkeeper, whom will initial the documents as stated by the examiner.

Anticipated Completion Date:

August 2018


(Signature)

Marshall County Clerk

(Title)

August 23, 2018



Marshall Circuit and Superior Courts

Deborah VanDeMark, Clerk

211 West Madison Street, Plymouth, IN 46563

Telephone: 574-936-8922

Fax: 574-936-8893

CORRECTIVE ACTION PLAN

FINDING 2016-007 Child Support

Contact Person Responsible for Corrective Action: Deborah VanDeMark

Contact Phone Number: 574-935-8701

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Previously the Clerk understood that the full time support deputies time would be considered full time on the IV-D reports. Starting August 2017, the Clerk began documenting the time spent on IV-D cases to report personal services on the monthly expense claims.

Anticipated Completion Date:

August 2017

Deborah VanDeMark
(Signature)

Marshall County Clerk

(Title)

August 23, 2018

(Date)

CLERK OF THE CIRCUIT COURT
MARSHALL COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 4, 2018, with Deborah P. VanDeMark, Clerk of the Circuit Court.

The contents of this report were discussed on September 4, 2018, with Julie A. Fox, County Auditor; Kevin G. Overmeyer, President of the Board of County Commissioners; Kurt Garner, County Commissioner; Mike Delp, County Commissioner; Bill Githens, County Council member; Don Morrison, County Council member; Jim Masterson, County Council member; Jon Van Vactor, County Council member; and Judith Stone, President of the County Council.

COUNTY SHERIFF
MARSHALL COUNTY

COUNTY SHERIFF
MARSHALL COUNTY
FEDERAL FINDING

FINDING 2016-004

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-002.

Condition

There were deficiencies in the internal control system of the County Sheriff related to financial transactions and reporting. The County Sheriff had not separated incompatible activities related to receipts and disbursements of the Inmate Trust Account fund.

The same employee issued receipts, deposited funds, recorded receipts, and wrote and recorded checks without an oversight, review, or approval process.

Context

The lack of internal controls was a systemic issue 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:

COUNTY SHERIFF
MARSHALL COUNTY
FEDERAL FINDING
(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. . . ."

Cause

Management of the County Sheriff's office had not established a proper system of internal controls that segregated key functions.

Effect

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

Recommendation

We recommended that the County's management establish a system of controls, including segregation of duties, related to financial transactions and reporting of receipts and disbursements.

Views of Responsible Officials

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

Marshall County Sheriff's Department
1400 Pioneer Drive
Plymouth, IN 46563



CORRECTIVE ACTION PLAN

FINDING 2016-004

Contact Person Responsible for Corrective Action: Matthew Hassel
Contact Phone Number: 574-936-3187

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

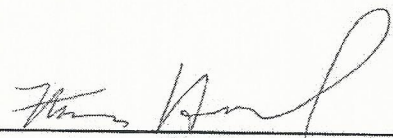
The County Sheriff has implemented an increased oversight throughout the processes of receipting, depositing, and recording checks. Each check sent to the Marshall County Clerk's Office has a Promise to Appear/Cash Bond Form attached to it, and each form will be reviewed and initialed by the Sheriff, prior to being physically taken to the Clerk's Office.

The County Sheriff has instructed the Jail Records Clerk to file the receipts received by the Clerk of Marshall County, along with the receipts for the checks written, to ensure the outgoing checks and receipts match, in order to maintain oversight in that area.

The County Sheriff has instructed the Jail Records Clerk to act as oversight on all deposits being taken to the bank, by matching the deposit slip with the amount to be deposited, as recorded in the accounting software. Once confirmed, the Jail Records Clerk will place his/her initials on the deposit slip, and will perform the deposit transaction in the accounting software, once the deposit has been made.

The State Board of Account Auditors have been made aware of the processes by which inmate funds are released for Commissary and other purchases, along with the physical release of the inmate themselves, which are signed for by the person from which the funds are removed, either physically or digitally, using their unique personal identification number, given randomly by the accounting system or the telephone system. This includes the debit card releases, where the funds are placed onto a debit card, to be used at points of service which accept Mastercard.

Anticipated Completion Date: August 21, 2018



(Signature)

Sheriff

(Title)

8/21/2018

(Date)

COUNTY SHERIFF
MARSHALL COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 4, 2018, with Matthew K. Hassel, County Sheriff.

The contents of this report were discussed on September 4, 2018, with Julie A. Fox, County Auditor; Kevin G. Overmeyer, President of the Board of County Commissioners; Kurt Garner, County Commissioner; Mike Delp, County Commissioner; Bill Githens, County Council member; Don Morrison, County Council member; Jim Masterson, County Council member; Jon Van Vactor, County Council member; and Judith Stone, President of the County Council.