

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MARSHALL COUNTY, INDIANA

January 1, 2017 to December 31, 2017



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	Angela C. Birchmeier	01-01-17 to 12-31-20
Clerk of the Circuit Court	Deborah P. VanDeMark	01-01-15 to 12-31-18
County Prosecutor	Nelson Chipman	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	01-01-17 to 12-31-18
President of the County Council	Judith Stone	01-01-17 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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, 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

September 4, 2018

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COUNTY AUDITOR
MARSHALL COUNTY

COUNTY AUDITOR
MARSHALL COUNTY
FEDERAL FINDINGS

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 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 overstated by \$189,176.
2. The Highway Planning and Construction Cluster expenditures were overstated by \$35,430.
3. The Child Support Enforcement expenditures were overstated \$8,094.
4. The Boating Safety Financial Assistance expenditures were overstated by \$28,552.

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

Criteria

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

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

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

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

COUNTY AUDITOR
MARSHALL COUNTY
FEDERAL FINDINGS
(Continued)

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."

Cause

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

COUNTY AUDITOR
MARSHALL COUNTY
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish and properly implement internal controls enabled material misstatements to go undetected. The SEFA contained the error 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 2017-005

Subject: WIC Special Supplemental Nutrition Program for Women, Infants,
and Children - Activities Allowed or Unallowed, Allowable
Costs/Cost Principles, Cash Management, and 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 FY2017,
EDS A70-5-070652 FY2018

Pass-Through Entity: Indiana State Dept of Health

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost
Principles, Cash Management, and Reporting

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding numbers were 2016-005 and 2016-006.

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 compliance requirements listed above.

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.

The County also had not designed or implemented adequate internal controls to ensure that grant expenditures were paid before they were included on a reimbursement request and that the reimbursement requests were complete and accurate prior to submission. The WIC Coordinator prepared and submitted the reimbursement requests without an oversight, review, or approval process.

COUNTY AUDITOR
MARSHALL COUNTY
FEDERAL FINDINGS
(Continued)

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:

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 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.

COUNTY AUDITOR
MARSHALL COUNTY
FEDERAL FINDINGS
(Continued)

FINDING 2017-006

Subject: WIC Special Supplemental Nutrition Program for Women,
Infants, and Children - Period of Performance

Federal Agency: Department of Agriculture

Federal Program: WIC Special Supplemental Nutrition Program
for Women, Infants, and Children

CFDA Number: 10.557

Federal Award Number or Year (or Other Identifying Number): EDS A70-5-070652 FY2017,
EDS A70-5-070652 FY2018

Pass-Through Entity: Indiana State Dept of Health

Compliance Requirement: Period of Performance

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-006.

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 Period of Performance compliance requirement.

The County had not designed or implemented adequate internal controls to ensure that grant expenditures were within the period of performance. The reimbursement requests were prepared and submitted for payment by the WIC Coordinator without an oversight, review, or approval process.

It could not be determined if the County complied with the period of performance requirements. Multiple program years were combined in one fund and there was no documentation available to determine which expenditures were at the end of one grant period or at the beginning of the next grant period.

Context

The lack of controls and failure to provide adequate documentation related to the grant periods 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 AUDITOR
MARSHALL COUNTY
FEDERAL FINDINGS
(Continued)

2 CFR 200.309 states in part:

"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. . . ."

Cause

The County had not developed a system of internal controls to ensure that adequate supporting documentation was maintained and made available for audit related to the Period of Performance compliance requirement.

Effect

The failure to retain or provide appropriate supporting documentation prevented the determination of the County's compliance with the Period of Performance compliance requirement.

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 the Period of Performance compliance requirement.

Views of Responsible Officials

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

COUNTY AUDITOR
MARSHALL COUNTY
FEDERAL FINDINGS
(Continued)

FINDING 2017-007

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, FY2017

Pass-Through Entity: Indiana Dept. of Child Services

Compliance Requirement: Allowable Costs/Cost Principles

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-008.

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.

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.

COUNTY AUDITOR
MARSHALL COUNTY
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system placed the County at risk of non-compliance 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 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 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: 2017-002

Contact Person Responsible for Corrective Action:

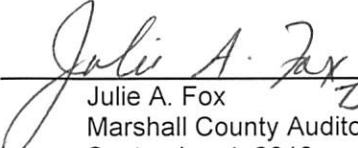
Julie A. Fox, Marshall County Auditor
TX: (574) 935-8555

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).)



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: 2017-005

Contact Person Responsible for Corrective Action:

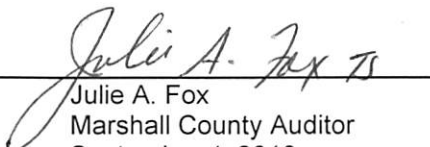
Julie A. Fox, Marshall County Auditor
TX: (574) 935-8555

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 regarding cash management and reporting and 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).)



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: 2017-006

Contact Person Responsible for Corrective Action:

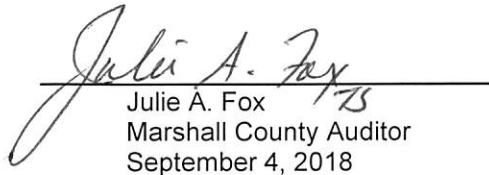
Julie A. Fox, Marshall County Auditor
TX: (574) 935-8555

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).)



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: 2017-007

Contact Person Responsible for Corrective Action:

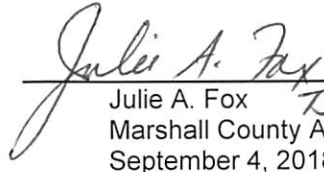
Julie A. Fox, Marshall County Auditor
TX: (574) 935-8555

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.

COUNTY TREASURER
MARSHALL COUNTY

COUNTY TREASURER
MARSHALL COUNTY
FEDERAL FINDING

FINDING 2017-001

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 2016-001.

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 2017-001

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

CLERK OF THE CIRCUIT COURT
MARSHALL COUNTY
FEDERAL FINDING

FINDING 2017-003

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 2016-003.

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

CLERK OF THE CIRCUIT COURT
MARSHALL COUNTY
FEDERAL FINDING
(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. . . ."

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.

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.



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 2017-003

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

Deborah VanDeMark
(Signature)

Marshall County Clerk

(Title)

August 23, 2018

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.

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COUNTY PROSECUTOR
MARSHALL COUNTY

COUNTY PROSECUTOR
MARSHALL COUNTY
FEDERAL FINDING

FINDING 2017-008

Subject: Child Support Enforcement - Reporting
Federal Agency: Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Year (or Other Identifying Number): FY2017
Pass-Through Entity: Indiana Dept. of Child Services
Compliance Requirement: Reporting
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 Reporting compliance requirement.

The County Prosecutor's controls over the quarterly incentive reports were not effective. The amounts reported on the quarterly incentive reports did not always agree to the ledger and the reports were not always mathematically accurate or complete.

Context

The lack of controls and the noncompliance were systemic issues throughout the audit period. Three of the four incentive reports tested were incorrect.

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 PROSECUTOR
MARSHALL COUNTY
FEDERAL FINDING
(Continued)

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. . . ."

Cause

The County's management had not designed or implemented effective internal controls that would have ensured compliance with the grant agreement and the Reporting compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls to ensure compliance and comply with the Reporting compliance requirement.

Views of Responsible Officials

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



E. Nelson Chipman, Jr.
Prosecuting Attorney of Marshall County
72nd Judicial Circuit

CORRECTIVE ACTION PLAN

FINDING 2017-008

Contact Person Responsible for Corrective Action: **E. Nelson Chipman, Jr.**
Contact Phone Number: **574-935-8666**

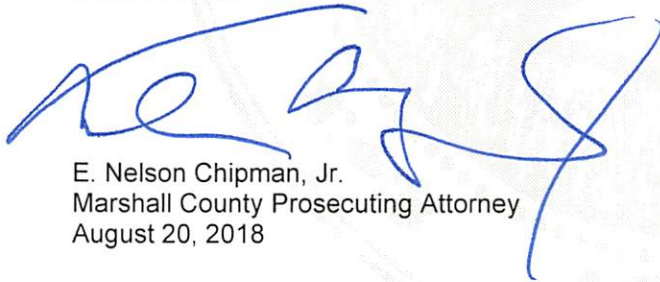
Views of Responsible Official: **We concur with the finding. It is apparent the expenditure of approximately \$8000 was incurred as we moved the Child Support Division offices to expanded office space not previously available. The expenditure was noted in a quarterly report and inadvertently carried over to the following quarterly report. Obviously, the expenditure was not incurred in the second quarter which made the entry in the second quarterly report an error. We thank you for finding the error and apologize for the inconvenience it has caused.**

Description of Corrective Action Plan:

A negative adjustment in the amount of the double entry will be made on the next quarterly report.

Anticipated Completion Date:

October 2018



E. Nelson Chipman, Jr.
Marshall County Prosecuting Attorney
August 20, 2018

COUNTY PROSECUTOR
MARSHALL COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 4, 2018, with Nelson Chipman, County Prosecutor.

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 SHERIFF
MARSHALL COUNTY

COUNTY SHERIFF
MARSHALL COUNTY
FEDERAL FINDING

FINDING 2017-004

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 2016-004.

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 2017-004

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:

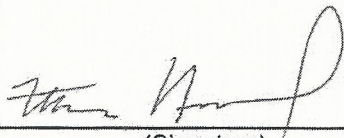
The County Sheriff has implemented an increased oversight throughout the processes of receipting, depositing, and recording checks. Each check sent to the Marshall County Clerk's Office has a Promise to Appear/Cash Bond Form attached to it, and each form will be reviewed and initialed by the Sheriff,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