

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

KOSCIUSKO COUNTY, INDIANA

January 1, 2017 to December 31, 2017



FILED
11/01/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Michelle L. Puckett	01-01-15 to 12-31-18
County Treasurer	Rhonda Helser	01-01-17 to 12-31-20
County Prosecuting Attorney	Daniel H. Hampton	01-01-11 to 12-31-18
Clerk of the Circuit Court	Ann Torpy	03-19-13 to 12-31-20
President of the Board of County Commissioners	Bradford Jackson Robert Conley	01-01-17 to 12-31-17 01-01-18 to 12-31-18
President of the County Council	Robert G. Sanders Jon Garber Sue Ann Mitchell	01-01-17 to 06-07-17 06-08-17 to 12-31-17 01-01-18 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 KOSCIUSKO COUNTY, INDIANA

This report is supplemental to our audit report of Kosciusko 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 20, 2018

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COUNTY AUDITOR
KOSCIUSKO COUNTY

COUNTY AUDITOR
KOSCIUSKO COUNTY
FEDERAL FINDING

FINDING 2017-001

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

Repeat Finding

This is a repeat of Finding 2016-001 from the immediately prior audit.

Condition

The County did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). Although the County had implemented controls, they were not effective.

Context

The SEFA contained the following errors:

1. Not all program titles were correct.
2. Not all Federal Grantor Agencies were listed correctly.
3. Not all Pass-Through Entities were listed correctly.
4. Not all Pass-Through identifying numbers were listed correctly.
5. The Highway Planning and Construction expenditures, in the amount of \$5,765, were omitted.
6. The Formula Grants for Rural Areas expenditures, in the amount of \$260,204, were omitted.
7. The Bus and Bus Facilities Formula Program expenditures, in the amount of \$70,621, were omitted.
8. The State and Community Highway Safety expenditures, in the amount of \$17,009, were omitted.
9. The Alcohol Impaired Driving Countermeasures Incentive Grants I expenditures, in the amount of \$8,808, were omitted.
10. The Interagency Hazardous Materials Public Sector Training and Planning Grants expenditures, in the amount of \$8,199, were omitted.
11. The Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements expenditures, in the amount of \$111,901, were overstated.
12. The Child Support Enforcement expenditures, in the amount of \$15,066, were overstated.

COUNTY AUDITOR
KOSCIUSKO COUNTY
FEDERAL FINDING
(Continued)

13. The Emergency Management Performance Grants expenditures, in the amount of \$43,746, were understated.
14. The Homeland Security Grant Program expenditures, in the amount of \$1,013, were understated.
15. Amounts passed through to subrecipients were overstated by \$588,902.

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. . . ."

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.

COUNTY AUDITOR
KOSCIUSKO COUNTY
FEDERAL FINDING
(Continued)

- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

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

Recommendation

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

Views of Responsible Officials

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



Michelle L. Puckett
Kosciusko County Auditor

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Michelle L. Puckett
Contact Phone Number: 574-372-2328

We concur with the finding.

Description of Corrective Action Plan:

In reviewing our current SEFA process and internal controls, it has been made clear that due to turnover in the grant deputy position that misstatements of the SEFA went undetected. 1/1/2017 a new grant deputy was hired to fill the vacant position. All aspects of the training process had not been completed until 2018. With the gap in knowledge and experience of grants during this transition period, misstatements went undetected.

At the time of each audit, we continue to learn and understand more about what is expected to be reported on the SEFA by the State Board of Accounts field examiners. We are beginning to cross train the entire grant process from initial application of grant to close out of the grant to help ensure accuracy in reporting the SEFA. All internal controls will be reviewed and updated during this process to address all points listed in the Financial Statement Findings. We are also implementing additional internal controls during the Annual Report process to further detect defects in the SEFA.

Anticipated Completion Date: 6/30/20

Michelle L. Puckett
(Signature)

Auditor
(Title)

9-20-18
(Date)

COUNTY AUDITOR
KOSCIUSKO COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 20, 2018, with Michelle L. Puckett, County Auditor; Rhonda Hesler, County Treasurer; Cary P. Groninger, Vice President of the Board of County Commissioners; Bradford Jackson, County Commissioner; Sue Ann Mitchell, President of the County Council; Jon Garber, Vice President of the County Council; Ernie B. Wiggins, County Council member; and Kimberly Yates, County Council member.

CLERK OF THE CIRCUIT COURT
KOSCIUSKO COUNTY

CLERK OF THE CIRCUIT COURT
KOSCIUSKO COUNTY
FEDERAL FINDING

FINDING 2017-002

Subject: Child Support Enforcement - Allowable Costs/Cost Principles
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 2017
Pass-Through Entity: Indiana Department of Child Services
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-003.

Condition

An effective internal control system was not in place at the County to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. The County had implemented controls, but they were not effective at preventing noncompliance.

A total of \$42,130 County Prosecuting Attorney's Child Support Enforcement Incentive and County General fund expenditures were not supported by evidence to substantiate that the costs were necessary and reasonable for proper and efficient performance of the Child Support Enforcement program. Bonuses, travel, and dues were paid to or on behalf of non-Child Support Enforcement employees from Child Support Enforcement program funds.

A total of \$10,622 Clerk of the Circuit Court's Child Support Enforcement Incentive and County General fund expenditures were not supported by evidence to substantiate that the costs were necessary and reasonable for proper and efficient performance of the Child Support Enforcement program. Equipment maintenance costs and bank fees were paid and payroll was reimbursed with Child Support Enforcement program funds that should not have been fully paid by the program. The costs were used to support the Child Support program as a whole and should have been proportionately allocated to the Child Support Enforcement program.

In June 2018, the Indiana Department of Child Services conducted a Quality Assurance Review of the Clerk of the Circuit Court and County Prosecuting Attorney's Child Support Enforcement procedures for the first quarter of 2017. Their review reported some of the issues described above.

Context

The lack of controls and the noncompliance were isolated to the items listed in the *Condition*.

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

CLERK OF THE CIRCUIT COURT
KOSCIUSKO COUNTY
FEDERAL FINDING
(Continued)

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 200.403 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; . . .

(g) Be adequately documented. . . ."

2 CFR 200.420 states: ". . . Criteria outlined in § 200.403 Factors affecting allowability of costs must be applied in determining allowability. . . ."

Indiana Code 31-25-4-23.5 states in part:

"Title IV-D incentive fund; use of money. . . .

(c) Money in the fund may be used only for child support enforcement purposes. . . ."

Cause

The County had not established an effective system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

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

Questioned Costs

There were known questioned costs of \$52,752 as detailed in the *Condition*. Of those questioned costs, \$42,130 were for the County Prosecuting Attorney's office and \$10,622 were for the Clerk of the Circuit Court's office.

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.



KOSCIUSKO CIRCUIT AND SUPERIOR COURTS

Ann Torpy, Clerk

Melissa Boggs, Chief Deputy

121 N Lake St, Room: D162, Warsaw, IN 46580

Telephone: 574-372-2331 Fax: 574-372-2338

Corrective Action Plan

Finding: 2017-0002

Contact Person: Ann Torpy, Clerk

Contact Phone: 574-265-2638

Views of Responsible Official: We concur with the findings

Description of Corrective Action Plan:

Clerk has worked with CSB along with Maximus, the Clerk's vendor for the IV-D expense claiming process, to make the adjustments to the reporting time and effort on the monthly claims. Clerk will work with the County Auditor's payroll department to make the adjustments to the use of the IV-D incentive funds for payroll purposes. Clerk is working to reimburse the fund for purchase and service fees paid from the IV-D, using the percentage of the IV-D case load at the time of purchase or payment of service fees.

Anticipated Completion Date: December 31, 2018

Ann Torpy, Clerk

October 4, 2018

CLERK OF THE CIRCUIT COURT
KOSCIUSKO COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 20, 2018, with Ann Torpy, Clerk of the Circuit Court; Cary P. Groninger, Vice President of the Board of County Commissioners; Bradford Jackson, County Commissioners; Sue Ann Mitchell, President of the County Council; Jon Garber, Vice President of the County Council; Ernie B. Wiggins, County Council member; and Kimberly Yates, County Council member.

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COUNTY PROSECUTING ATTORNEY
KOSCIUSKO COUNTY

COUNTY PROSECUTING ATTORNEY
KOSCIUSKO COUNTY
FEDERAL FINDING

FINDING 2017-002

Subject: Child Support Enforcement - Allowable Costs/Cost Principles
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 2017
Pass-Through Entity: Indiana Department of Child Services
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-003.

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COUNTY PROSECUTING ATTORNEY
KOSCIUSKO COUNTY
FEDERAL FINDING
(Continued)

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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.

**Office of the
Prosecuting Attorney**

54th Indiana Judicial Circuit
Kosciusko County Indiana

Daniel H. Hampton
Prosecuting Attorney



Child Support Enforcement

121 North Lake Street
Warsaw, Indiana 46580

t: (574) 372-2425

f: (574) 372-2428

e: childsupport@kcgov.com

CORRECTIVE ACTION PLAN

FINDING 2017-002

Contact Person Responsible for Corrective Action: Robert Bishop

Contact Phone Number: 574-372-2425

Views of Responsible Official: The finding relates not to the ability to augment the salaries but refers to whether the amount paid was properly cost-allocated.

Description of Corrective Action Plan: The office has been in discussion with the Child Support Bureau as to its proposed forms and policies that are structured to avoid these findings and will follow the Child Support Bureaus recommended policies.

Anticipated Completion Date: Upon completion of the discussions with the Child Support Bureau, but in any event no later than 11/1/18.

COUNTY PROSECUTING ATTORNEY
KOSCIUSKO COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 19, 2018, with Daniel H. Hampton, County Prosecuting Attorney, and Robert J. Bishop, Deputy County Prosecuting Attorney.

The contents of this report were discussed on September 20, 2018, with Cary P. Groninger, Vice President of the Board of County Commissioners; Bradford Jackson, County Commissioner; Sue Ann Mitchell, President of the County Council; Jon Garber, Vice President of the County Council; Ernie B. Wiggins, County Council member; and Kimberly Yates, County Council member.