

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BOONE COUNTY, INDIANA

January 1, 2017 to December 31, 2017



FILED
11/07/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Heather Myers	01-01-17 to 12-31-20
County Treasurer	Deborah Ottinger	01-01-17 to 12-31-20
Clerk of the Circuit Court	Jessica Fouts	01-01-17 to 12-31-18
County Sheriff	Mike Nielsen	01-01-17 to 12-31-18
County Recorder	Nikki Baldwin	01-01-17 to 12-31-20
President of the Board of County Commissioners	Donald Lawson Marc Applegate	01-01-17 to 12-31-17 01-01-18 to 12-31-18
President of the County Council	Steve Jacob	01-01-17 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF BOONE COUNTY, INDIANA

This report is supplemental to our audit report of Boone 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

October 3, 2018

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COUNTY AUDITOR
BOONE COUNTY

COUNTY AUDITOR
BOONE COUNTY
FEDERAL FINDINGS

FINDING 2017-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat of Finding 2016-002 from the immediately prior audit.

Condition

The County had not separated incompatible activities related to financial close and reporting. There were no controls designed and implemented by the County for the compilation, review, and submittal of the County's Annual Financial Report (AFR). The County did not provide evidence of a review or approval process to ensure that material misstatements would have been prevented, or detected and corrected, in a timely manner.

The financial statement presented for audit was found to have misstatements in the following funds:

1. The Payroll Clearing receipts and disbursements were understated by \$4,677,083 and \$4,626,834, respectively.
2. The State Fines and Forfeitures receipts and disbursements were understated by \$21,533 and \$36,949, respectively.
3. The Anson Construction receipts were overstated by \$1,978 and disbursements were understated by \$2,000.
4. The Felony Diversion Program receipts and disbursements were understated by \$1,113 and \$1,067, respectively.
5. The Employee Health Fund receipts and disbursements were understated by \$228,765 and \$316,422, respectively.
6. The Victims Assistant Coord. receipts were understated by \$715 and disbursements were overstated by \$715.
7. The Clerk's Trust Account disbursements were understated by \$46,423.
8. The Sheriff's Commissary Fund receipts and disbursements were overstated by \$5,015,512 and \$4,696,344, respectively.
9. The Indiana Housing Finance fund was not reported, causing an understatement of \$9,500.
10. The LIT Certified Shares disbursements were overstated by \$724,731.
11. The LIT Public Safety receipts were overstated by \$362,366 and disbursements were understated by \$362,366.
12. The Clerk's Trust Acct State Funds was reported twice, causing an overstatement of \$1,583,228.

COUNTY AUDITOR
BOONE COUNTY
FEDERAL FINDINGS
(Continued)

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

Context

The lack of internal controls was a systemic issue throughout the audit period and enabled the misstatements described in the *Condition*.

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. . . ."

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

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

Cause

Management of the County had not established a proper system of internal control, including segregation of duties, over financial transactions and reporting.

Effect

The failure to establish controls enabled misstatements or irregularities in regards to financial transactions and reporting to remain undetected.

COUNTY AUDITOR
BOONE COUNTY
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the County establish a system of internal controls related to financial transactions and reporting in order to ensure proper financial reporting. We also recommended that the county properly report the activities of all funds on their Annual Financial Report and financial statement.

Views of Responsible Officials

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

FINDING 2017-002

Subject: Formula Grants for Rural Areas - Reporting
Federal Agency: Department of Transportation
Federal Program: Formula Grants for Rural Areas
CFDA Number: 20.509
Federal Award Number and Year (or Other Identifying Number): IN-18X032-00
Pass-Through Entity: Indiana Department of Transportation
Compliance Requirement: Reporting
Audit Finding: Significant Deficiency

Condition

An effective internal control system was not in place at the County in order to ensure compliance with the requirements related to the grant agreement and the Reporting compliance requirement.

The County had not properly designed or implemented controls to ensure that required reports were reviewed for accuracy prior to their submission.

Context

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

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

COUNTY AUDITOR
BOONE 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 that would have ensured compliance with the Reporting compliance requirement.

Effect

The failure to establish an effective internal control system placed the County at risk of noncompliance with the grant agreement and the Reporting compliance requirement.

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 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.

FINDING 2017-003

Subject: Formula Grants for Rural Areas - Procurement and Suspension and Debarment
Federal Agency: Department of Transportation
Federal Program: Formula Grants for Rural Areas
CFDA Number: 20.509
Federal Award Number and Year (or Other Identifying Number): IN-18X032-00
Pass-Through Entity: Indiana Department of Transportation
Compliance Requirement: Procurement and Suspension and Debarment
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 suspension and debarment requirements.

The County did not verify that its subrecipient of the grant was not suspended or debarred from participation in federal programs.

COUNTY AUDITOR
BOONE COUNTY
FEDERAL FINDINGS
(Continued)

Context

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

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

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 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

The County had not designed or implemented internal control procedures to ensure compliance with the suspension and debarment requirements. The County did not comply with the requirements of the grant agreement and the suspension and debarment requirements.

Effect

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

COUNTY AUDITOR
BOONE COUNTY
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls, including segregation of duties, related to the grant agreement and suspension and debarment requirements and comply with the suspension and debarment requirements.

Views of Responsible Officials

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

FINDING 2017-004

Subject: Formula Grants for Rural Areas - Cash Management
Federal Agency: Department of Transportation
Federal Program: Formula Grants for Rural Areas
CFDA Number: 20.509
Federal Award Number and Year (or Other Identifying Number): IN-18X032-00
Pass-Through Entity: Indiana Department of Transportation
Compliance Requirement: Cash Management
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 Cash Management compliance requirement.

The County did not perform procedures to ensure that it met the Cash Management requirement. Two out of the four reimbursement requests tested were not in compliance with grant requirements. The reimbursements were receipted into the County's ledger before the disbursement date.

Context

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

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

COUNTY AUDITOR
BOONE 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). . . ."

2 CFR 200.305(b) states in part:

"For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuances or redemption of checks, warrants, or payment by other means. . . ."

(3) Reimbursement is the preferred method when the requirements in paragraph (b) cannot be met, when the Federal awarding agency sets in specific condition per § 200.207 Specific conditions, or when the non-Federal entity requests payment by reimbursement. This method may be used on any Federal award for construction, or if the major portion of the construction project is accomplished through private market financing or Federal loans, and the Federal award constitutes a minor portion of the project. . . ."

Cause

The County had not designed or implemented internal control procedures to ensure compliance with the Cash Management requirement. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the County.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and 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 related to the grant agreement and the Cash Management compliance requirement and comply with the Cash Management 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 Auditor
Boone County**
201 Courthouse Square
Lebanon, IN 46052

**Heather R. Myers
Auditor**

(765) 482-2940
Fax: (765) 483-4434

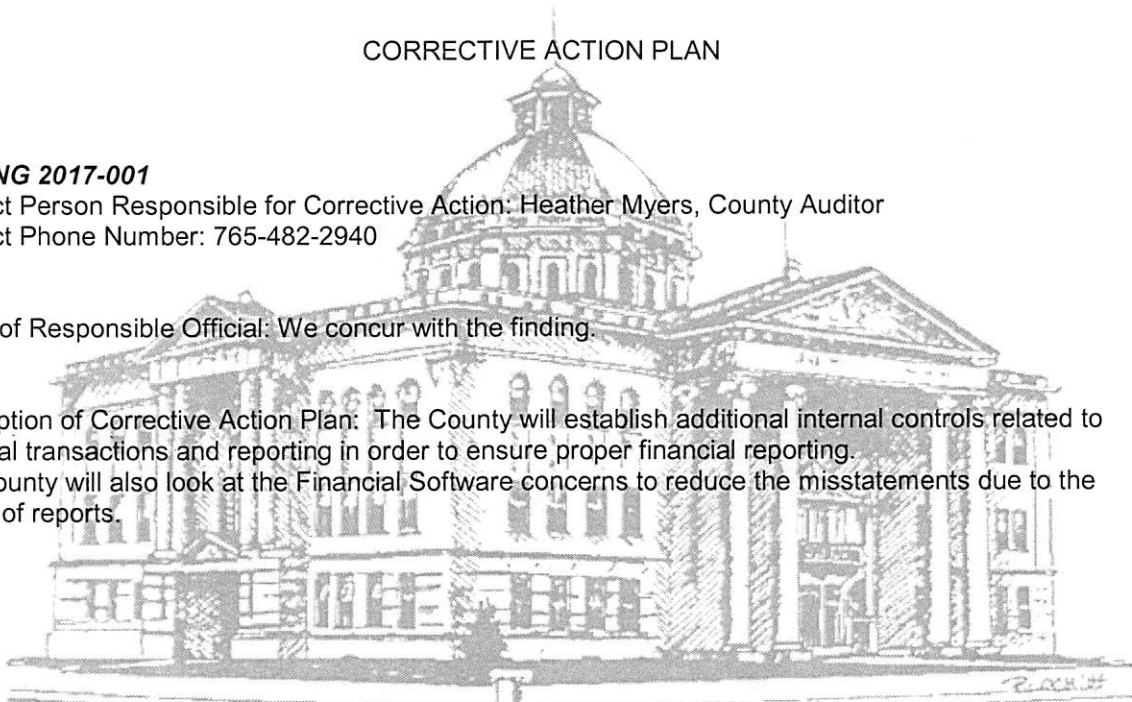
CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Heather Myers, County Auditor
Contact Phone Number: 765-482-2940

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The County will establish additional internal controls related to financial transactions and reporting in order to ensure proper financial reporting. The County will also look at the Financial Software concerns to reduce the misstatements due to the output of reports.



Anticipated Completion Date: December 31, 2018

FINDING 2017-002

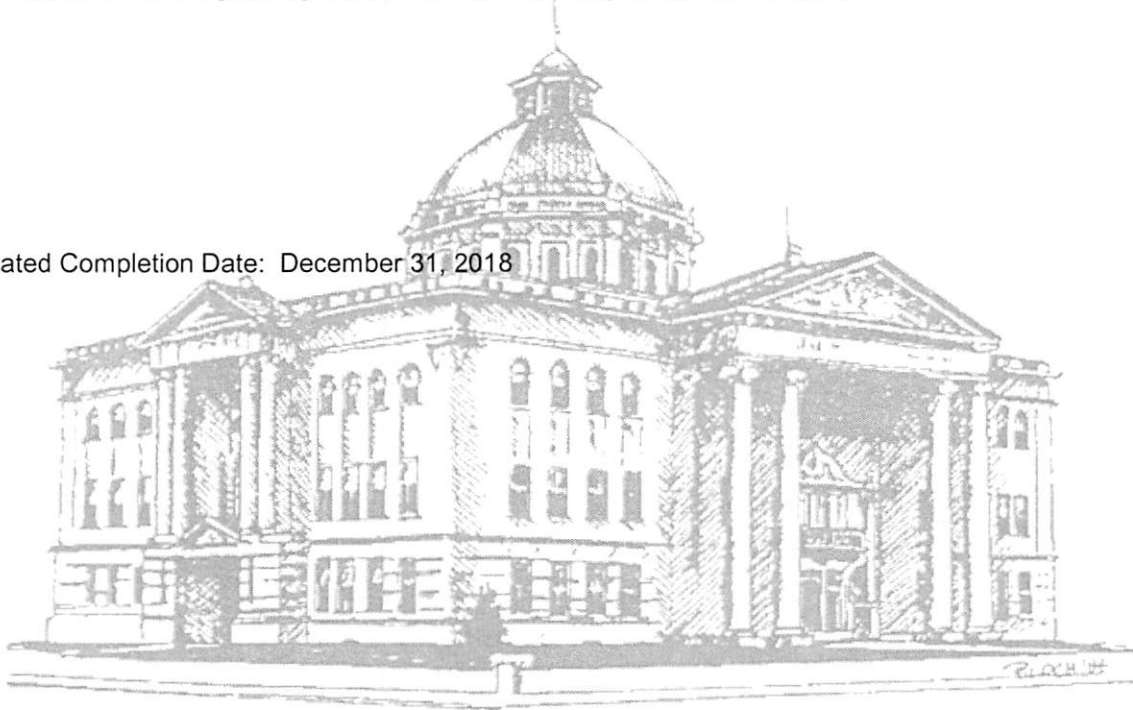
Contact Person Responsible for Corrective Action: Heather Myers, County Auditor

Contact Phone Number: 765-482-2940

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The County will put in place proper systems of review and documentation that the Commissioner's and Auditor will review the Federal Financial Report prior to its submission. This will ensure more effective internal controls are in place so that the County is not at risk of noncompliant with the grant agreement and the reporting compliance requirement.

Anticipated Completion Date: December 31, 2018



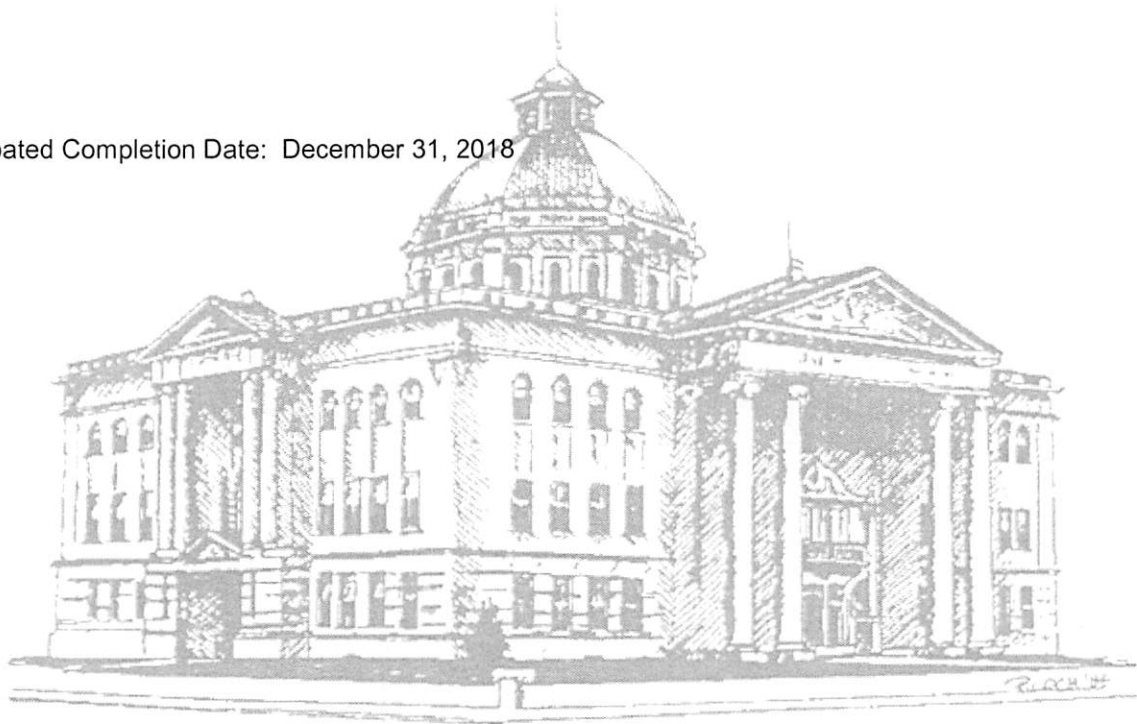
FINDING 2017-003

Contact Person Responsible for Corrective Action: Heather Myers, County Auditor
Contact Phone Number: 765-482-2940

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The County will establish internal controls to verify subrecipient grants have not been suspended or debarred from using Federal Awards.

Anticipated Completion Date: December 31, 2018



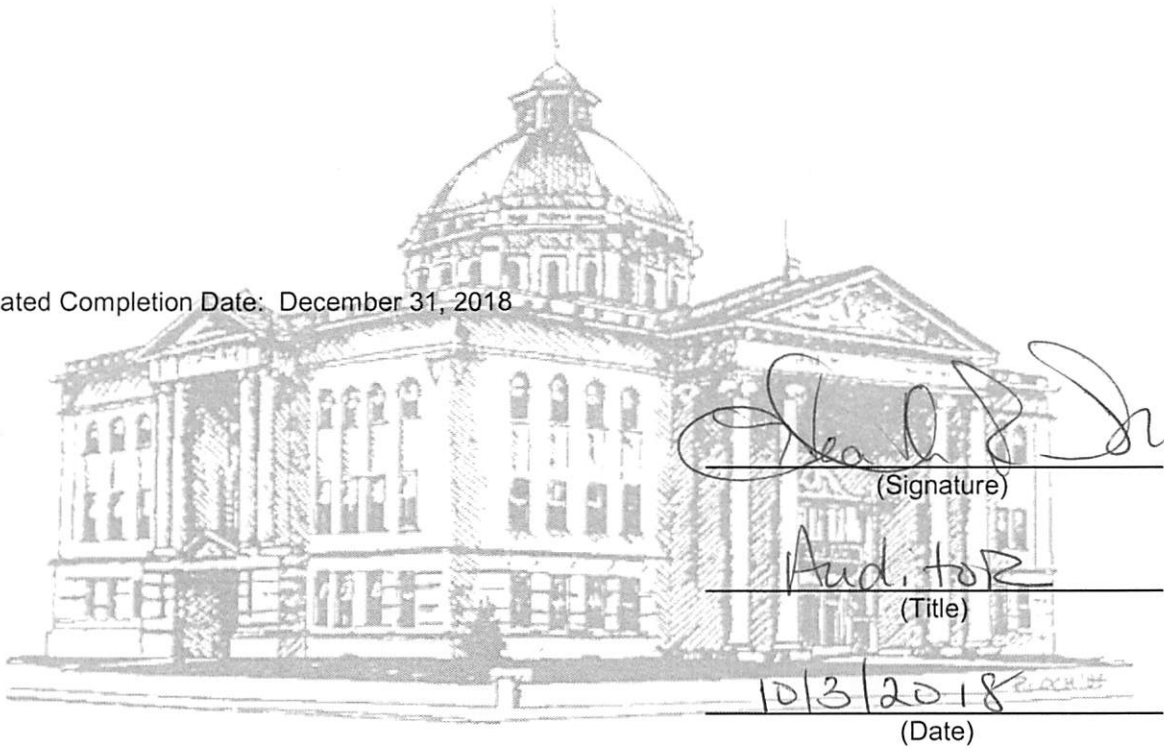
FINDING 2017-004

Contact Person Responsible for Corrective Action: Heather Myers, County Auditor
Contact Phone Number: 765-482-2940

Views of Responsible Official: We concur with the findings

Description of Corrective Action Plan: The County will ensure procedures are performed to comply with the grant agreement and the cash management requirements by ensuring disbursements of the Federal funds before they are received into the County.

Anticipated Completion Date: December 31, 2018



Heather Myers
(Signature)

Auditor
(Title)

10/3/2018
(Date)

COUNTY AUDITOR
BOONE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 3, 2018, with Heather Myers, County Auditor; Melissa Smith, Deputy County Auditor; Debbie Crum, Deputy County Auditor; Crystal Raub, First Deputy County Auditor; Bob Clutter, County Attorney; Steve Jacob, President of the County Council; Marc Applegate, President of the Board of County Commissioners; Jeff Wolfe, County Commissioner; Elise Nieshalla, County Council; Tom Santelli, County Council; and Katie Westerfield, Deputy County Auditor.