

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
CLINTON COUNTY, INDIANA
January 1, 2016 to December 31, 2016



FILED
11/08/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Cathy J. Hamilton	01-01-15 to 12-31-18
County Treasurer	Carol J. Bartley	10-19-14 to 12-31-20
Clerk of the Circuit Court	Sherri Crews	01-01-13 to 12-31-20
County Sheriff	Jeff Ward	01-01-15 to 12-31-18
County Recorder	Linda Brammel Elizabeth J. Keeney	01-01-14 to 12-31-16 01-01-17 to 12-31-20
President of the Board of County Commissioners	Scott Shoemaker Josh Uitts	01-01-16 to 12-31-17 01-01-18 to 12-31-18
President of the County Council	Alan Dunn	01-01-16 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of Clinton 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

October 1, 2018

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COUNTY AUDITOR
CLINTON COUNTY

COUNTY AUDITOR
CLINTON COUNTY
FEDERAL FINDING

FINDING 2016-001

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

Repeat Finding

This is a repeat finding from the immediately prior report. The prior audit finding numbers were 2015-001 and 2015-002.

Condition

There were several deficiencies in the internal control system of the County related to financial transactions and reporting. The County had not separated incompatible activities related to financial reporting, cash and investments, and the Schedule of Expenditures of Federal Awards (SEFA).

Financial Transactions and Reporting

The Auditor entered the County's financial information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the financial statement; however, the process was completed without a documented oversight, review or approval process, or other compensating control in place to ensure that information was submitted accurately.

Cash and Investments

The County had not established controls to ensure that reconciled cash and investment balances agreed to the financial statement. The County Treasurer completed monthly bank reconciliations without any documented oversight or review procedures in place to ensure their accuracy.

Schedule of Expenditures of Federal Awards

The County did not have an adequate control system in place to ensure the accuracy of the SEFA prior to submission. Federal grant information was prepared and submitted into Gateway, which was the source for the SEFA, without a documented oversight, review or approval process, or other compensating control in place to ensure that information was submitted accurately.

Context

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

The SEFA presented for audit contained the following errors:

1. Highway Planning and Construction Cluster expenditures were overstated by \$58,584.
2. Formula Grants for Rural Areas expenditures were overstated by \$88,122.
3. Public Health Emergency Preparedness expenditures were understated by \$18,825.

COUNTY AUDITOR
CLINTON COUNTY
FEDERAL FINDING
(Continued)

4. HPP-PHEP Aligned Programs expenditures were overstated by \$16,926
5. Child Support Enforcement expenditures were overstated by \$38,857

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.
- (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.

COUNTY AUDITOR
CLINTON COUNTY
FEDERAL FINDING
(Continued)

- (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 the 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 proper system of internal control that segregated key functions to ensure proper reporting of the financial statement, cash and investments, and the SEFA.

Effect

The failure to establish controls enabled misstatements of the SEFA to remain undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

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

Views of Responsible Officials

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



Clinton County Auditor

Cathy J. Hamilton
225 Courthouse Square
Frankfort, Indiana 46041-1995
765-659-6330
765-659-6391 fax
auditor@clintonco.com

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Auditor Cathy Hamilton and Treasurer Carol Bartley

Contact Phone Number: 765-659-6330

Views of Responsible Official:

Description of Corrective Action Plan:


The Annual Financial Report when completed will be presented to the County Council for their review and such action will be included in the minutes of the meeting.

The Deputy Auditor and the Treasurer balance the end of year funds prior to the completion of the Annual Financial Report. This will insure the balances entered into the AFR will always be correct.

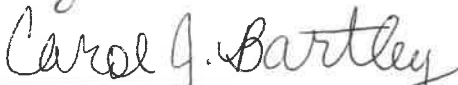
The Treasurer will present monthly bank reconcilements to the Deputy Treasurer when completed for review.

The Schedule of Federal Expenditures is reviewed by the Deputy auditor and the Auditor for correctness. The SEFA will be presented to the County Council when completed for their review and such action will be include in the minutes of the meeting.


Anticipated Completion Date: January 1, 2019



Auditor



Treasurer



(Date)

COUNTY AUDITOR
CLINTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 1, 2018, with Cathy J. Hamilton, County Auditor; Alan Dunn, President of the County Council; Josh Uitts, President of the Board of County Commissioners; and Britt Ostler, First Deputy County Auditor.

COUNTY TREASURER
CLINTON COUNTY

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CLINTON COUNTY
FEDERAL FINDING

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FEDERAL FINDING
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CLINTON COUNTY
FEDERAL FINDING
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Anticipated Completion Date: January 1, 2019



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Treasurer



(Date)

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CLINTON COUNTY
EXIT CONFERENCE

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