

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MADISON COUNTY, INDIANA

January 1, 2017 to December 31, 2017



**FILED**

11/27/2018



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	3
Transmittal Letter .....	4
County Auditor:	
Federal Findings:	
Finding 2017-001	
Financial Transactions and Reporting .....	6-7
Finding 2017-002	
Preparation of the Schedule of Expenditures of Federal Awards .....	7-9
Corrective Action Plan .....	10-11
Audit Results and Comments:	
Internal Controls over Financial Transactions and Reporting .....	12
Annual Financial Report .....	12-13
Prescribed or Approved Forms .....	13
Supporting Documentation .....	14
Reconciliation of Drainage Funds to Subsidiary Ledgers .....	14
Penalties and Interest .....	15
Official Response .....	16-17
Exit Conference .....	18
County Treasurer:	
Audit Result and Comment:	
Internal Controls over Financial Transactions and Reporting .....	20
Official Response .....	21
Exit Conference .....	22
Clerk of the Circuit Court:	
Audit Result and Comment:	
Internal Controls over Financial Transactions and Reporting .....	24
Official Response .....	25
Exit Conference .....	26
County Sheriff:	
Audit Results and Comments:	
Internal Controls over Financial Transactions and Reporting .....	28
Sheriff Inmate Trust .....	28-30
Sheriff Civil Fund .....	30-32
Official Response .....	33
Exit Conference .....	34

TABLE OF CONTENTS  
(Continued)

Board of County Commissioners:

Federal Findings:

Finding 2017-003	
WIOA Cluster - Allowable Activities .....	36-38
Finding 2017-004	
WIOA Cluster - Allowable Costs/Cost Principles.....	38-40
Finding 2017-005	
WIOA Cluster - Cash Management.....	41-43
Finding 2017-006	
WIOA Cluster - Period of Performance .....	43-45
Finding 2017-007	
WIOA Cluster - Earmarking .....	45-47
Finding 2017-008	
WIOA Cluster - Eligibility .....	48-49
Finding 2017-009	
Non Major Programs - Allowable Costs/Cost Principles .....	49-51
Corrective Action Plan .....	52-58
Audit Result and Comment:	
Deposit of Funds .....	59
Exit Conference .....	60

County Prosecuting Attorney:

Audit Result and Comment:

Receipt Issuance - Pre-Trial Diversion Fees .....	62
Exit Conference .....	63

County Public Defender:

Audit Result and Comment:

Disbursements for Legal Services .....	66
Exit Conference .....	67

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Rick G. Gardner	01-01-17 to 12-31-20
County Treasurer	Kelly S. Gaskill	01-01-15 to 12-31-18
Clerk of the Circuit Court	Darlene Likens	01-01-15 to 12-31-18
County Sheriff	Scott Mellinger	01-01-15 to 12-31-18
President of the Board of County Commissioners	John M. Richwine	01-01-15 to 12-31-18
President of the County Council	Steve C. Sumner Anthony Emery	01-01-17 to 12-31-17 01-01-18 to 12-31-18
Prosecuting Attorney	Rodney Cummings	01-01-15 to 12-31-18
Public Defender	Geoffrey Yelton Jeffrey Lockwood	01-01-16 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](http://www.in.gov/sboa)

TO: THE OFFICIALS OF MADISON COUNTY, INDIANA

This report is supplemental to our audit report of Madison 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 and Audit Results and Comments 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/](http://www.in.gov/sboa/).

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

October 9, 2018

COUNTY AUDITOR  
MADISON COUNTY

COUNTY AUDITOR  
MADISON COUNTY  
FEDERAL FINDINGS

***FINDING 2017-001***

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

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-001.

*Condition*

The County had not established effective internal controls to prevent, or detect and correct, errors in the financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statement.

*Context*

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. Although review of the financial statement was indicated as performed by the County Auditor, the review did not detect material errors on the financial statement.

The lack of effective controls enabled errors to occur on the financial statement. The financial statement presented for audit contained the following errors:

1. Beginning cash balance was understated by \$6,356.
2. Cash receipts were overstated by \$3,941,622.
3. Disbursements were overstated by \$3,889,300.
4. Ending cash balance was overstated by \$45,966 within the Sheriff Civil Fund.

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

*Criteria*

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

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

COUNTY AUDITOR  
MADISON COUNTY  
FEDERAL FINDINGS  
(Continued)

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

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

*Cause*

Management of the County had not established a proper system of internal control.

*Effect*

The failure to establish controls enabled misstatements or irregularities to remain undetected.

*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.

**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 report. The prior audit finding number was 2016-002.

*Condition*

The County had not established effective internal controls to prevent, or detect and correct, errors in the financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the Schedule of Expenditures of Federal Awards (SEFA).

*Context*

The SEFA contained the following types of errors in reporting expenditures: grants were duplicated, grant expenditures were overstated and understated, grant expenditures were omitted, and grant expenditures included state funds. The following is a summary of the net accumulated errors by federal agency:

1. The Department of Housing and Urban Development grants were understated by \$26,920.
2. The Department of Justice grants were overstated by \$168,506.
3. The Department of Labor grants were understated by \$288,929 and overstated by \$260,822.

COUNTY AUDITOR  
MADISON COUNTY  
FEDERAL FINDINGS  
(Continued)

4. The Department of Transportation grants were overstated by \$91,271.
5. The Department of Health and Human Services were understated by \$232,212.
6. The Passed Through to Subrecipients amounts were understated by \$12,573.

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  
MADISON COUNTY  
FEDERAL FINDINGS  
(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 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.



**MADISON COUNTY AUDITOR'S OFFICE**  
ANDERSON, INDIANA

**Rick Gardner, Auditor**

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Corrective Action Plan

Finding 2017 -001

Contact Person Responsible for Corrective Action: Rick Gardner  
Contact Phone Number: 765-641-9425

Views of Responsible Official :  
We concur with the finding.

Description of Corrective Action Plan:

Annual report will be prepared by our staff and will be reviewed by a team of 3 to ensure accuracy prior to submission on Gateway.

Anticipated Completion Date: Finding communicated on 10/9/2018. Anticipated completion date: 10/9/2018

Rick G Gardner

Auditor

10/9/2018



**MADISON COUNTY AUDITOR'S OFFICE**  
ANDERSON, INDIANA

**Rick Gardner, Auditor**

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Corrective Action Plan

Finding 2017-002

Contact Person Responsible for Corrective Action: Rick Gardner  
Contact Phone Number: 765-641-9425

Views of Responsible Official :  
We concur with the finding.

Description of Corrective Action Plan:  
Reviews of the Schedule of Expenditures of Federal Awards prepared by our staff will be made by a team of 3 to ensure accuracy prior to submission on Gateway.

Anticipated Completion Date: Finding communicated on 10/9/2018. Anticipated completion date: 10/9/2018

Rick G Gardner

Auditor

10/9/2018

COUNTY AUDITOR  
MADISON COUNTY  
AUDIT RESULTS AND COMMENTS

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

This is a similar Audit Result and Comment from the immediately prior Report B51344, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

The County Auditor's office had not separated incompatible activities related to disbursements. There was no evidence of departmental approvals and fiscal officer approval throughout the audit period. Additionally, for those claims that were paid in advance of approval, as approved by ordinance, the Board of County Commissioners did not approve advance pay claims after the payment.

The County Auditor's office had not separated incompatible activities related to payroll disbursements. During audit period, review of payroll disbursements was not completed by the County Auditor. Personal services disbursements for outside vendor Health Benefits were posted as adjustments rather than through claims. Claims paid from the Payroll and Payroll Withholding-Medical funds were not presented to the Board of County Commissioners for review. In addition, there is no one from the County Auditor's office reviewing the detail of the Group Health Plan claims against the summarized invoice amounts.

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. . . ."

***ANNUAL FINANCIAL REPORT***

This is a similar audit result and comment from the immediately prior Report B51344, entitled *ANNUAL FINANCIAL REPORT*.

The Schedule of Payables and Receivables included in the Annual Financial Report (AFR) for December 31, 2017, was not fairly stated and did not properly reflect the financial activity of the County. The amount reported for Accounts Payable did not agree to the County's Encumbrance Report by a significant amount. Also, the supporting documentation for the Accounts Receivable was for the wrong year and, therefore, we could not determine the correct amount.

The Schedule of Leases and Debt was materially correct; however, there were numerous errors found in the ending principal balances and amounts due within one year. The County officials made changes to their schedules to correct these errors.

COUNTY AUDITOR  
MADISON COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

The Combining Schedules for tax distribution funds included expenditures for Personal Services. The errors were due to tax distribution funds being coded incorrectly in the accounting system and some of the disbursements from those funds were categorized as "personal services" rather than "other disbursements." These changes were not made to the Combining Schedules.

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](#)."

***PRESCRIBED OR APPROVED FORMS***

This is a similar Audit Result and Comment from the immediately prior Report B51344, entitled *PRESCRIBED OR APPROVED FORMS*.

The Pay History Reports attached to the Allowance of Payroll Vouchers, which were presented to the Board of County Commissioners for approval did not contain all the necessary information required on prescribed form No. 99, Payroll Schedule and Voucher. The reports presented only provided the employee check number, their gross pay, and the location from which the individual was paid. The Pay History Report provided insufficient information to audit the payroll claims for accuracy.

Indiana Code 5-11-10-2(a) states in part: "Claims against a political subdivision of the state must be . . . audited for correctness and approved by the disbursing officer of the political subdivision . . ."

A prescribed form is one which is put in general use for all offices of the same class, whereas an approved form is a computerized form for special use in a particular office.

Many computer software programs can create exact replicas of prescribed forms. Exact replica may be used as a prescribed form. If it is desirable to use a form other than a prescribed form that is not an exact replica, the new form must be approved.

For any form that is to be approved, the unit can start using the form as they have it ready. A log of these forms must be kept indicating the form it replaced and the effective date of the new form. At the beginning of an engagement, this log must be presented to the examiner.

New forms must be in place during at least one engagement and must not be an element of a finding or result and comment that is responsible or partially responsible for the exception found during an engagement to be considered approved. . . .

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR  
MADISON COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

***SUPPORTING DOCUMENTATION***

This is a similar Audit Result and Comment from the immediately prior Report B51344, entitled *SUPPORTING DOCUMENTATION*.

The following issues were identified during our audit of disbursements.

1. The County has a Group Health Plan administered by an outside vendor. The County Auditor's office receives invoices from this vendor that summarizes the charges for the Group Health Plan for a particular period of time. Detailed documentation of the summarized charges was not made available during the audit.
2. Accounts Payable Vouchers (County Form No. 17) tested during the audit period were not certified by the County Auditor for the period January 1, 2017 to June 30, 2017.
3. Many of the disbursements tested did not have supporting documentation attached to invoices to show that goods and services were received by the County.
4. There were disbursements posted to the ledger, for which Accounts Payable Vouchers were prepared, but were not approved by the Board of County Commissioners.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

Indiana Code 5-11-10-2(a) states:

"Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

***RECONCILIATION OF DRAINAGE FUNDS TO SUBSIDIARY LEDGERS***

This is a similar Audit Result and Comment from the immediately prior Report B51344, entitled *RECONCILIATION OF DRAINAGE FUNDS TO SUBSIDIARY LEDGERS*.

Reconcilements between the subsidiary ledgers of the General Drain Improvement and the Drainage Maintenance funds and the Auditor's Funds Ledger were not completed during the audit period.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR  
MADISON COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

***PENALTIES AND INTEREST***

This is a similar Audit Result and Comment from the immediately prior Report B51344, entitled *PENALTIES AND INTEREST*.

The County paid penalties and interest on credit card purchases in the amount of \$703 from January 1, 2017 to October 10, 2017, because the County did not remit credit card payments on a timely basis.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)



**MADISON COUNTY AUDITOR'S OFFICE**  
ANDERSON, INDIANA

**Rick Gardner, Auditor**

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October 12, 2018

OFFICIAL RESPONSE

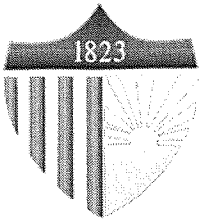
Unit Examined: Madison County  
Period Examined: 01/01/17 – 12/31/17  
Date of Conference: October 9, 2018

The audit performed by the SBOA for the year 2017 was performed in 2018 at the same time that they were auditing 2016 and the exit conference is scheduled for October 9, 2018. I was not the County Auditor in 2016. I started the first year of my elected term in January of 2017.

The untimeliness of the audit and performing multiple years audits simultaneously creates many problems for units of government which are trying to comply with the law and institute good accounting and internal control standards. It also creates an illusion of non-compliance for units of government when "repeat" findings are indicated.

It's important for the reader of the Audit findings to understand that the SBOA needs to complete their audits in a timely fashion if it wishes to achieve their goals.

In regards, to the audit for 2017 we agree with many of the findings as we were already working on them during my first year in office. From the beginning of 2017 we began looking at the claims process and comparing the way the office performed to what the State Code and the Auditor's Manual dictates. The process of claims was, in our opinion, in poor condition. (It's important to note that the claims process was never indicated in an audit prior to 2018. Presumably, for years the process had never changed and never drawn any attention from the SBOA.) During my first year in office, we made changes such as: making sure the claims were passed in a public meeting, having the certification in the proper place on the claim, making sure department heads signed the claims or had a deputy use their stamp if permitted, making sure our deputies were looking for proper supporting documentation, making sure to instill internal controls such as requiring checks to be sent out rather than being able to be picked up. All of these things were done well before the SBOA showed up and none of these changes were ever mentioned in prior audits. In 2018, we have continued our improvement to the claims



**MADISON COUNTY AUDITOR'S OFFICE**  
ANDERSON, INDIANA

**Rick Gardner, Auditor**

process by upgrading our dockets which are supplied to the Board of Commissioners for approval. In years past, the Ordinance paid claims were never submitted to the Board of Commissioners for approval. We have upgraded both the Ordinance paid claims and the Payroll Voucher claims docket sheets to allow for more transparent approval from the Board of Commissioners.

We also have been in the process of changing the way claims are submitted county wide. We've been developing a system to allow for claims to be submitted in groups directly through our financial software through our department heads. Both this form and our new form for payroll will be kept in a log book for the next round of auditors from the SBOA to review.

The most disappointing comment for our office was the Penalties and Interest finding. The audit says that the County paid penalties and interest on credit card purchases in the amount of \$703 from January 1, 2017 to October 10, 2017 because the County did not remit credit card payments on a timely basis. We informed the auditors of the SBOA that the Board of Commissioners credit card bill is always turned in late by the Board of Commissioners and frequently only requests partial payments. They refuse to hold the Board of Commissioners responsible putting the responsibility back on the Auditor's office. Thus, going forward, we intend to change the address on the bill so that it is mailed directly to our office circumventing the problem in the Board of Commissioners. We will pay the credit card bill under the Ordinance claims and collect supporting documentation after the fact (this process we discussed with the SBOA).

In regards to the reconciliation of drainage funds subsidiary ledgers, the subsidiary ledgers of the drainage funds are currently and always have been been audited. We will develop a paper report of reconciliation to satisfy the desires of future auditors of the SBOA.

In conclusion, we work hard to comply with the "Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana", a publication of the SBOA. It's odd that the audit would include things that the SBOA never mentioned over many decades and would only audit them after we already installed critical changes that needed made.

Rick Gardner

  
Madison County Auditor

COUNTY AUDITOR  
MADISON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 9, 2018, with Rick G. Gardner, County Auditor; John M. Richwine, President of the Board of County Commissioners; Steffanie Owens, County Commissioner; Mike Phipps, County Commissioner; Mike Gaskill, County Council member; and Todd Culp, Chief Deputy County Auditor.

COUNTY TREASURER  
MADISON COUNTY

COUNTY TREASURER  
MADISON COUNTY  
AUDIT RESULT AND COMMENT

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

This is a similar Audit Result and Comment from the immediately prior Report B51344, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

The County Treasurer's office had not separated incompatible activities related to cash and investments. There was no evidence of review, oversight, or approval process of the Bank Reconcilements throughout the audit period.

The County Treasurer's office had not separated incompatible activities related to receipts. There was no evidence of review, oversight, or approval process by a person other than the preparer of deposits throughout the audit period.

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. . . ."

**TREASURER OF MADISON COUNTY**  
**KELLY GASKILL**  
**16 EAST 9<sup>TH</sup> STREET**  
**ROOM 109**  
**ANDERSON, IN 46016**

---

PHONE: 765-641-9669

FAX: 765-608-9706

To: State Board of Accounts  
From: Kelly Gaskill  
Madison County Treasurer  
Re: Audit Result 2016-2017  
Date: October 9, 2018

The following are my responses to SBOA audit results for audit years 2016 and 2017.

Although I have not yet received these findings in writing, they were disclosed to me in a telephone conversation from an SBOA auditor on Thursday October 4<sup>th</sup> at 3:15pm. It is my understanding from that conversation that you have the following three audit results:

1. The monthly bank reconciliations do not have my signature on them
2. Bank deposit tickets do not have the signature of the preparer
3. Deposit receipts are not signed by the person taking the deposit to the bank.

While I agree that these are good ideas and are willing to incorporate them into my internal controls, I disagree that they rise to the level of an audit result. First of all, the SBOA County Treasurer's Manual does not require any of these practices. Secondly, in my eight years as Madison County Treasurer, no SBOA audits have raised the above three issues. In fact, no audit has raised any issue at all with my deposit and reconciliation practices.

As for result number one, chapter two of the County Treasurer's manual describes the duties of the Treasurer with respect to reconciling deposit accounts to the statements provided by the corresponding financial institution. I have fully complied with the requirements of this chapter. I have personally reviewed every monthly bank reconciliation during my tenure as Madison County Treasurer. There is no requirement for the treasurer to sign these reconciliations, but I am happy to do so going forward.

Results two and three have to do with cash handling procedures. My internal controls separate the duties among my employees in order to protect taxpayer funds. Bank deposits are prepared daily by either the bookkeeper or the assistant bookkeeper, and neither of these employees is allowed to accept payments from taxpayers. Conversely, the clerks that take payments from the public are not allowed to prepare a deposit. As a further protection, the deposits are always taken to the bank by someone other than the person who prepared the deposit. The requirements for deposit of accountable items are described on page 5 of chapter 1 in the treasurer's manual. There is no requirement for signatures on either the deposit slip or the receipt of deposit. As before, I will implement the practices suggested.

In closing, if the SBOA believes that the above rise to the level of an audit result, then it should certainly update the treasurer's manual to require these actions from all 92 county treasurers.

Sincerely,

Kelly Gaskill  
Madison County Treasurer

COUNTY TREASURER  
MADISON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 9, 2018, with Kelly S. Gaskill, County Treasurer; Steffanie Owens, County Commissioner; and Mike Gaskill, County Council member.

CLERK OF THE CIRCUIT COURT  
MADISON COUNTY

CLERK OF THE CIRCUIT COURT  
MADISON COUNTY  
AUDIT RESULT AND COMMENT

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

This is a similar Audit Result and Comment from the immediately prior Report B51344, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

The Clerk of the Circuit Court had not separated incompatible activities related to cash and investments. There was no evidence of review, oversight, or approval process of the Bank Reconcilements throughout the audit period.

The Clerk of the Circuit Court had not separated incompatible activities related to receipts. There was no evidence of review, oversight, or approval process by a person other than the preparer of deposits throughout the audit period.

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. . . ."



# CLERK of the MADISON CIRCUIT COURT

Darlene Likens

MADISON COUNTY GOVERNMENT CENTER

P.O. Box 1277

ANDERSON, INDIANA 46015

Ph: (765) 641-9443 • Fax: (765) 640-4203

October 17, 2018

To: State Board of Accounts

RE: Official Response

I do not agree to the statement that this was a repeat finding. The last audit from SBOA, no one communicated to us any wrong doing. If we not in compliance why were we not informed at that time.

I nor any of my staff ever received anything from SBOA stating this from a previous Audit. Also there was no exit audit informing us that we had an issue.

Respectfully,

A handwritten signature in cursive script that reads "Darlene Likens".

Darlene Likens  
Madison County Clerk

CLERK OF THE CIRCUIT COURT  
MADISON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 9, 2018, with Darlene Likens, Clerk of the Circuit Court; Steffanie Owens, County Commissioner; and Mike Gaskill, County Council member.

COUNTY SHERIFF  
MADISON COUNTY

COUNTY SHERIFF  
MADISON COUNTY  
AUDIT RESULTS AND COMMENTS

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

This is a similar Audit Result and Comment from the immediately prior Report B51344, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

The County Sheriff's Department had not separated incompatible activities for Cash and Investments. The individual with responsibilities for receipting and disbursing funds also performed the monthly bank reconciliations for the Commissary, Inmate Trust, and Civil Office. There was no indication of a review, oversight, or approval process

The County Sheriff's Department had not separated incompatible activities for receipts. Receipts are deposited in the bank by same person posting to the ledger and preparing the deposit slip for the Commissary, Inmate Trust, and Civil Office. There was no indication of a review, oversight, or approval process.

The County Sheriff's Department had not separated incompatible activities for disbursements. One person was in charge of receiving of goods, and the posting and payment of invoices/disbursement for the Commissary, Inmate Trust, and Civil Office. There was no indication of a review, oversight, or approval process.

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. . . ."

***SHERIFF INMATE TRUST***

This is a similar Audit Result and Comment from the immediately prior Report B51344, entitled *SHERIFF INMATE TRUST*.

There are insufficient internal controls over the accounting of the Inmate Trust. We noted several areas the controls are not designed or implemented properly.

No general ledger was presented for audit of the Inmate Trust. The TEAM system accounting software accounts for all receipt and disbursements internally for the Inmate Trust. The County Sheriff's Department was not able to find a way to extract the general ledger from the TEAM system.

COUNTY SHERIFF  
MADISON COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

A proper reconciliation was not presented for audit. Receipts and disbursements appear to be verified on the monthly bank statements through a Statement Reconciliation process in TEAM system; however, we were unable to verify the ending balance as of December 31, 2017. In addition, the outstanding check list generated by the system was not accurate. Additional reconciling items were also provided, such as outstanding deposits in transit. We attempted to reproduce a December 31, 2017 bank reconciliation with the information that we had available and determined a variance of \$4,492, where the record balance exceeded the adjusted bank balance. The TEAM system accounts for all receipts and disbursements internally. When the monthly bank information has been updated each month by the accounting clerk, the system then updates what is still outstanding in the system. A Statement Reconciliation Report can be run at this time to document the reconciliation. This report should be run monthly and retained for audit.

The outstanding check lists that were generated for each month were not complete. This listing should include all checks written in the past that have not cleared. These reports should be generated each month and retained for audit, as any reports run at a later date by the software will reflect all transactions as of the date the report is run. The system is not able to accurately generate a report at a later date for a month that has passed that does not include transaction between the month needed and the run date.

No subsidiary accounts report of the individual jail inmate account balances were generated at the end of each month. This report should be generated monthly reconciled to the monthly Statement Reconciliation Report of cash balance. These reports should also be generated monthly and retained for audit as the system will not generate an accurate report for the month, as any report run at a later date would reflect transactions that have occurred to the run date.

Credit Card deposits are made via EFT through a credit card processing system and are automatically updated to the Inmate Trust TEAM system via a link to the County Sheriff's online banking. We were unable to adequately trace the deposits from the payment processing vendor to the individual inmate accounts due to timing and to dollar amount issues that may involve credit card processing fees.

The TEAM system prints out a check with a remittance advice attached to the check to reimburse the Commissary from the Inmate Trust for inmate purchases monthly. This remittance advice is just a summary of purchases by account category and does not constitute adequate supporting documentation for the monthly transfer made between the Inmate Trust and the Commissary for inmate purchases. The TEAM software should print out a detailed listing of the point of sale (POS) commissary transactions by inmate account that adequately supports the monthly transfer from Inmate Trust to the Commissary.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

Indiana Code 36-8-10-22 states:

"(a) This section applies to any county that operates a county jail.

(b) The sheriff shall hold in trust separately for each inmate any money received from that inmate or from another person on behalf of that inmate.

(c) If the inmate or the inmate's legal guardian requests a disbursement from the inmate's trust fund, the sheriff may make a disbursement for the personal benefit of the inmate, including but not limited to a disbursement to the county jail commissary.

COUNTY SHERIFF  
MADISON COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

(d) Upon discharge or release of an inmate from the county jail, the sheriff shall pay to that inmate or the inmate's legal guardian any balance remaining in the inmate's trust fund.

(e) If an inmate is found guilty of intentionally destroying or losing county property after a hearing conducted under [IC 11-11-5-5](#), the sheriff may disburse from the inmate's trust fund or commissary account sums of money as reimbursement to the county for the inmate's intentional destruction or loss of county property, including but not limited to clothing, bedding, and other nondisposable items issued by the county to the inmate. Before disbursing money under this subsection, the sheriff shall adopt rules to administer this procedure.

(f) The sheriff shall maintain a record of each trust fund's receipts and disbursements. The state board of accounts shall prescribe the form for this record."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

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. . . ."

**SHERIFF CIVIL FUND**

This is a similar Audit Result and Comment from the immediately prior Report B51344, entitled *SHERIFF CIVIL FUND*.

COUNTY SHERIFF  
MADISON COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

There are insufficient internal controls over the accounting of the Sheriff Civil Fund. We noted several areas the controls are not designed or implemented properly.

A proper reconciliation to the general ledger was not presented for audit. We were unable to verify the ending balance as of December 31, 2017. We were also unable to determine the correct beginning balance, transactions, and ending balance for the year. By comparing financial statement figures to the bank statements, we determined the financial statement figures were materially incorrect. We determined that there was an understatement of the beginning balance of \$6,356, overstatements of receipts of \$3,941,622, and overstatements of disbursements of \$3,889,300, resulting in an overstatement of the ending balance of \$45,965. Corrections to the financial statements were approved and made.

Disbursements did not always have supporting documentation available for audit. An unidentified amount was remitted to both the Clerk of Courts of Madison County and to publication vendors for Sheriff Tax Sales in 2016 and prior. As of August 2018, the accounting clerk is working to identify remediation for overpayments made to the Clerk of Courts. In 2016 and prior, the accounting clerk failed to post electronic payments on tax warrants and remit these collections to Indiana Department of Revenue (IDOR). IDOR also collected these amounts from the warrantee. As of August 2018, the County Sheriff's Department staff is working to correct this.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

Indiana Code 6-8.1-8-3(c) states:

"The sheriff shall deposit all amounts that the sheriff collects under this section, including partial payments, into a special trust account for judgements collected that arose from tax warrants. On or before the fifth day of each month, the sheriff shall disburse the money in the tax warrant judgement lien trust account in the following order:

- (1) The sheriff shall pay the department the part of the collections that represents taxes, interest and penalties.
- (2) The sheriff shall pay the county treasurer and the clerk of the circuit or superior court the part of the collections that represents their assessed costs.
- (3) Except as provided in subdivision (4) and (5), the sheriff shall keep the part of the collections that represents the ten percent (10%) collection fee added under section 2(b) of this chapter.

COUNTY SHERIFF  
MADISON COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (4) If the sheriff has entered a salary contract under [IC 36-2-13-2.5](#), the sheriff shall deposit in the county general fund the part of the collections that represents the ten percent (10%) collection fee under 2(b) of this chapter.
- (5) If the sheriff has not entered into a salary contract under [IC 36-2-13-2.5](#), the sheriff shall deposit in the county general fund the part of the collections that:
- (A) represents the ten percent (10%) collection fee under section 2(b) of this chapter; and
- (B) would, if kept by the sheriff, result in the total amount of the sheriff's annual compensation exceeding the maximum amount allowed under [IC 36-2-13-17](#). The department shall establish the procedure for the disbursement of partial payments so that the intent of this section is carried out."

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."



OFFICE OF THE  
SHERIFF OF MADISON COUNTY

720 Central Avenue  
Anderson Indiana 46016

Scott C. Mellinger  
Sheriff

Joey Cole  
Major

Administration/Records

765-646-9290

Fax

765-646-9296

Chaplain's Office

765-646-4077

Civil Office

765-641-9619

Fax

765-608-9704

Detention Center

765-646-9285

Investigations

765-646-9281

Sex Offender Registry

765-646-4055

Victim Advocate

765-646-4078

Website

[www.madisoncountyindiana.us](http://www.madisoncountyindiana.us)

October 16, 2018

State Board of Accounts Examiners,

In response to your findings regarding the Inmate Trust Fund for year 2017, with recurring issues, I realize that our lack of understanding and lack of effort to create detailed reports has to be corrected.

It is my responsibility to maintain the highest professional accuracy possible and my assumptions that the Trust Fund was being handled in a manner which you require were wrong.

SBOA examiners were clear that no monies are missing, there is no allegation of fraud or theft, rather we do not possess documentation to clearly follow all transactions.

We are taking this very seriously and I am pleased with my staff members' responses thus far. I realize we are still in a learning mode but I am sure we are near or at where we need to be.

Respectfully,

  
Scott Mellinger

COUNTY SHERIFF  
MADISON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 9, 2018, with Scott Mellinger, County Sheriff; Joey Cole, Chief Deputy; Tyler Jugg, Jail Commander; Cassandra Estle, Commissary Officer; Deena Watkins, Civil Office Manager; Steffanie Owens, County Commissioner; and Mike Gaskill, County Council member.

BOARD OF COUNTY COMMISSIONERS  
MADISON COUNTY

BOARD OF COUNTY COMMISSIONERS  
MADISON COUNTY  
FEDERAL FINDINGS

**FINDING 2017-003**

Subject: WIOA Cluster - Allowable Activities  
 Federal Agency: Department of Labor  
 Federal Programs: WIOA Adult Program, WIOA Youth Activities,  
                           WIOA Dislocated Worker Formula Grants  
 CFDA Numbers: 17.258, 17.259, 17.278  
 Federal Award Number and Year (or Other Identifying Number): PY15-CR-01-IA  
 Pass-Through Entity: Interlocal Association  
 Compliance Requirement: Activities Allowed or Unallowed  
 Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

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

*Condition*

An effective internal control system was not in place at JobSource, a fiscal department of the County, in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed compliance requirement.

Financial records for WIOA Cluster programs at JobSource included journal entries that were unable to be audited. A population of transactions to test allowable activities could not be provided due to various limitations of the accounting records. A detail of expenditures was not retained to support the reimbursement claim. When requested, the information provided did not constitute a detail because it contained considerable differences from the reimbursement request. The reimbursement requests for the three months tested below of \$154,977 had a detail of \$148,421. The detail was comprised of multiple pages of indirect cost allocations from multiple different cost pools, which led to uncertainty as to the validity of the \$148,421.

<u>Month of Request</u>	<u>Reimbursement Request</u>	<u>Detail Provided</u>	<u>Difference</u>
February 2017	\$ 61,768	\$ 68,450	\$ 6,682
March 2017	61,427	48,189	(13,238)
October 2017	<u>31,782</u>	<u>31,782</u>	<u>-</u>
Totals	<u>\$ 154,977</u>	<u>\$ 148,421</u>	<u>\$ (6,556)</u>

*Context*

The lack of substantial detail of transactions was a systemic issue throughout the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

BOARD OF COUNTY COMMISSIONERS  
MADISON 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 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

*Cause*

Management had not developed a system of internal controls that segregated key functions and also failed to ensure that documentation was maintained and made available for audit related to the compliance requirement.

*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. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

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

*Questioned Costs*

Although questioned costs exist, we were unable to ascertain the value of these costs due to the poor quality of the records and the inability to project questioned costs findings onto the population.

*Recommendation*

We recommended that management of the County establish controls related to the grant agreement and the compliance requirement listed above and have audit documentation available related to the compliance requirement.

*Views of Responsible Officials*

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

BOARD OF COUNTY COMMISSIONERS  
MADISON COUNTY  
FEDERAL FINDINGS  
(Continued)

*Auditor's Response*

During our audit of this grant, there were one hundred emails that had been sent back and forth requesting audit documentation and answering requests, along with numerous hours of in-person inquiries with JobSource, a fiscal department of the County. The JobSource Controller instructed the auditors to request all information from the County Controller and that all information would need to be obtained through him. During the audit, the auditors contacted other JobSource employees for information requests, but often received answers stating that they did not know how to provide the documentation requested. The documentation provided by the Controller of JobSource did not support the reimbursement claims, which consisted of summary entries from cost pools. It was determined through inquiry and inspection that many of the cost pools came from other cost pools, which prevented the auditors from determining if some expenditures were being counted twice, as noted in the *Condition*.

**FINDING 2017-004**

Subject: WIOA Cluster - Allowable Costs/Cost Principles  
Federal Agency: Department of Labor  
Federal Programs: WIOA Adult Program, WIOA Youth Activities,  
WIOA Dislocated Worker Formula Grants  
CFDA Numbers: 17.258, 17.259, 17.278  
Federal Award Number and Year (or Other Identifying Number): PY15-CR-01-IA  
Pass-Through Entity: Interlocal Association  
Compliance Requirement: Allowable Costs/Cost Principles  
Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-004.

*Condition*

An effective internal control system was not in place at JobSource, a fiscal department of the County, in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Financial records for WIOA Cluster programs at JobSource included journal entries that were unable to be audited. A population of transactions to test Allowable Costs/Cost Principles could not be provided due to various limitations of the accounting records. A detail of expenditures was not retained to support the reimbursement claim. When requested, the information provided did not constitute a detail because it contained considerable differences from the reimbursement request. The reimbursement requests for the three months tested below of \$154,977 had a detail of \$148,421. The detail was comprised of multiple pages of indirect cost allocations from multiple different cost pools, which led to uncertainty as to the validity of the \$148,421.

BOARD OF COUNTY COMMISSIONERS  
MADISON COUNTY  
FEDERAL FINDINGS  
(Continued)

Month of Request	Reimbursement Request	Detail Provided	Difference
February 2017	\$ 61,768	\$ 68,450	\$ 6,682
March 2017	61,427	48,189	(13,238)
October 2017	<u>31,782</u>	<u>31,782</u>	<u>-</u>
Totals	<u>\$ 154,977</u>	<u>\$ 148,421</u>	<u>\$ (6,556)</u>

Additionally, JobSource was required to have an approved Cost Allocation Plan (CAP) in order to use indirect costs in its claims for reimbursement. JobSource did create a CAP, but had no documentation to show that it was approved by Interlocal Association. Additionally, this CAP was missing many specific details required by 2 CFR 200 Appendix V section E.

*Context*

The lack of substantial detail of transactions 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). . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

2 CFR 200 Appendix V part D(3) states:

"All other local governments claiming central service costs must develop a plan in accordance with the requirements described in this Part and maintain the plan and related supporting documentation for audit. These local governments are not required to submit their plans for Federal approval unless they are specifically requested to do so by the cognizant agency for indirect costs. Where a local government only receives funds as a subrecipient, the pass-through entity will be responsible for monitoring the subrecipient's plan."

BOARD OF COUNTY COMMISSIONERS  
MADISON COUNTY  
FEDERAL FINDINGS  
(Continued)

*Cause*

Management had not developed a system of internal controls that segregated key functions and also failed to ensure that documentation was maintained and made available for audit related to the compliance requirement.

*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. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

The failure to retain or provide appropriate supporting documentation prevented the determination of the County's compliance with the Allowable Costs/Cost Principles compliance requirement.

*Questioned Costs*

Although questioned costs exist, we were unable to ascertain the value of these costs due to the poor quality of the records and the inability to project questioned costs findings onto the population.

*Recommendation*

We recommended that management of the County establish controls related to the grant agreement and the compliance requirement listed above and have audit documentation available related to the compliance requirement.

*Views of Responsible Officials*

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

*Auditor's Response*

During our audit of this grant, there were one hundred emails that had been sent back and forth requesting audit documentation and answering requests, along with numerous hours of in-person inquiries with JobSource, a fiscal department of the County. The JobSource Controller instructed the auditors to request all information from the County Controller and that all information would need to be obtained through him. During the audit, the auditors contacted other JobSource employees for information requests, but often received answers stating that they did not know how to provide the documentation requested. The documentation provided by the Controller of JobSource did not support the reimbursement claims, which consisted of summary entries from cost pools. It was determined through inquiry and inspection that many of the cost pools came from other cost pools, which prevented the auditors from determining if some expenditures were being counted twice, as noted in the *Condition*.

BOARD OF COUNTY COMMISSIONERS  
MADISON COUNTY  
FEDERAL FINDINGS  
(Continued)

**FINDING 2017-005**

Subject: WIOA Cluster - Cash Management  
 Federal Agency: Department of Labor  
 Federal Programs: WIOA Adult Program, WIOA Youth Activities,  
                           WIOA Dislocated Worker Formula Grants  
 CFDA Numbers: 17.258, 17.259, 17.278  
 Federal Award Number and Year (or Other Identifying Number): PY15-CR-01-IA  
 Pass-Through Entity: Interlocal Association  
 Compliance Requirement: Cash Management  
 Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-005.

*Condition*

An effective internal control system was not in place at JobSource, a fiscal department of the County, in order to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement.

Financial records for WIOA Cluster programs at JobSource included journal entries that were unable to be audited. A population of transactions to test Cash Management could not be provided due to various limitations of the accounting records. A detail of expenditures was not retained to support the reimbursement claim. When requested, the information provided did not constitute a detail because it contained considerable differences from the reimbursement request. The reimbursement requests for the three months tested below of \$154,977 had a detail of \$148,421. The detail was comprised of multiple pages of indirect cost allocations from multiple different cost pools, which led to uncertainty as to the validity of the \$148,421.

<u>Month of Request</u>	<u>Reimbursement Request</u>	<u>Detail Provided</u>	<u>Difference</u>
February 2017	\$ 61,768	\$ 68,450	\$ 6,682
March 2017	61,427	48,189	(13,238)
October 2017	<u>31,782</u>	<u>31,782</u>	<u>-</u>
Totals	<u>\$ 154,977</u>	<u>\$ 148,421</u>	<u>\$ (6,556)</u>

*Context*

The lack of substantial detail of transactions was a systemic issue throughout the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

BOARD OF COUNTY COMMISSIONERS  
MADISON 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 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

*Cause*

Management had not developed a system of internal controls that segregated key functions and also failed to ensure that documentation was maintained and made available for audit related to the compliance requirement.

*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. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

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

*Questioned Costs*

Although questioned costs exist, we were unable to ascertain the value of these costs due to the poor quality of the records and the inability to project questioned costs findings onto the population.

*Recommendation*

We recommended that management of the County establish controls related to the grant agreement and the compliance requirement listed above and have audit documentation available related to the compliance requirement.

*Views of Responsible Officials*

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

BOARD OF COUNTY COMMISSIONERS  
MADISON COUNTY  
FEDERAL FINDINGS  
(Continued)

*Auditor's Response*

During our audit of this grant, there were one hundred emails that had been sent back and forth requesting audit documentation and answering requests, along with numerous hours of in person inquiries with JobSource, a fiscal department of the County. The JobSource Controller instructed the auditors to request all information from the County Controller and that all information would need to be obtained through him. During the audit, the auditors contacted other JobSource employees for information requests, but often received answers stating that they did not know how to provide the documentation requested. The documentation provided by the Controller of JobSource did not support the reimbursement claims, which consisted of summary entries from cost pools. It was determined through inquiry and inspection that many of the cost pools came from other cost pools, which prevented the auditors from determining if some expenditures were being counted twice, as noted in the *Condition*.

**FINDING 2017-006**

Subject: WIOA Cluster - Period of Performance

Federal Agency: Department of Labor

Federal Programs: WIOA Adult Program, WIOA Youth Activities,  
WIOA Dislocated Worker Formula Grants

CFDA Numbers: 17.258, 17.259, 17.278

Federal Award Number and Year (or Other Identifying Number): PY15-CR-01-IA

Pass-Through Entity: Interlocal Association

Compliance Requirement: Period of Performance

Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

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

*Condition*

An effective internal control system was not in place at JobSource, a fiscal department of the County, in order to ensure compliance with requirements related to the grant agreement and the Period of Performance compliance requirement.

Financial records for WIOA Cluster programs at JobSource included journal entries that were unable to be audited. A population of transactions to test Period of Performance could not be provided due to various limitations of the accounting records. A detail of expenditures was not retained to support the reimbursement claim. When requested, the information provided did not constitute a detail because it contained considerable differences from the reimbursement request. The reimbursement requests for the three months tested below of \$154,977 had a detail of \$148,421. The detail was comprised of multiple pages of indirect cost allocations from multiple different cost pools, which led to uncertainty as to the validity of the \$148,421.

BOARD OF COUNTY COMMISSIONERS  
MADISON COUNTY  
FEDERAL FINDINGS  
(Continued)

Month of Request	Reimbursement Request	Detail Provided	Difference
February 2017	\$ 61,768	\$ 68,450	\$ 6,682
March 2017	61,427	48,189	(13,238)
October 2017	<u>31,782</u>	<u>31,782</u>	<u>-</u>
Totals	<u>\$ 154,977</u>	<u>\$ 148,421</u>	<u>\$ (6,556)</u>

*Context*

The lack of substantial detail of transactions 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). . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

*Cause*

Management had not developed a system of internal controls that segregated key functions and also failed to ensure that documentation was maintained and made available for audit related to the compliance requirement.

*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. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

BOARD OF COUNTY COMMISSIONERS  
MADISON COUNTY  
FEDERAL FINDINGS  
(Continued)

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*

Although questioned costs exist, we were unable to ascertain the value of these costs due to the poor quality of the records and the inability to project questioned costs findings onto the population.

*Recommendation*

We recommended that management of the County establish controls related to the grant agreement and the compliance requirement listed above and have audit documentation available relating to the compliance requirement.

*Views of Responsible Officials*

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

*Auditor's Response*

During our audit of this grant, there were one hundred emails that had been sent back and forth requesting audit documentation and answering requests, along with numerous hours of in person inquiries with JobSource, a fiscal department of the County. The JobSource Controller instructed the auditors to request all information from the County Controller and that all information would need to be obtained through him. During the audit, the auditors contacted other JobSource employees for information requests, but often received answers stating that they did not know how to provide the documentation requested. The documentation provided by the Controller of JobSource did not support the reimbursement claims, which consisted of summary entries from cost pools. It was determined through inquiry and inspection that many of the cost pools came from other cost pools, which prevented the auditors from determining if some expenditures were being counted twice, as noted in the *Condition*.

**FINDING 2017-007**

Subject: WIOA Cluster - Earmarking  
Federal Agency: Department of Labor  
Federal Programs: WIOA Adult Program, WIOA Youth Activities,  
WIOA Dislocated Worker Formula Grants  
CFDA Numbers: 17.258, 17.259, 17.278  
Federal Award Number and Year (or Other Identifying Number): PY15-CR-01-IA  
Pass-Through Entity: Interlocal Association  
Compliance Requirement: Matching, Level of Effort, Earmarking  
Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-007.

BOARD OF COUNTY COMMISSIONERS  
MADISON COUNTY  
FEDERAL FINDINGS  
(Continued)

*Condition*

An effective internal control system was not in place at JobSource, a fiscal department of the County, in order to ensure compliance with requirements related to the grant agreement and the earmarking requirements.

Financial records for WIOA Cluster programs at JobSource included journal entries that were unable to be audited. A population of transactions to test the earmarking requirements could not be provided due to various limitations of the accounting records. There was no system in place to monitor many of the earmarking requirements. Administration expenses were not being monitored to verify that no more than 10 percent of the amount allocated to the local area were for administrative purposes. Other earmarking requirements, such as the percentage to be used on out-of-school youth, were not being monitored.

*Context*

The lack of substantial detail of transactions 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). . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

20 CFR 680.800(a) states: "The local area may reserve up to 20 percent of their combined total of adult and dislocated worker allocations for incumbent worker training as described in § 680.790."

20 CFR 680.195 states: "The local area may use up to 10 percent of their combined total of adult and dislocated worker allocations for transitional jobs as described in § 680.190. Transitional jobs must be combined with comprehensive career services (see § 680.150) and supportive services (see § 680.900)."

20 CFR 683.205(a)(2) states: "Local area expenditures for administrative purposes under WIOA formula grants are limited to no more than 10 percent of the amount allocated to the local area under secs. 128(b) and 133(b) of WIOA."

BOARD OF COUNTY COMMISSIONERS  
MADISON COUNTY  
FEDERAL FINDINGS  
(Continued)

Workforce Innovation and Opportunity Act, Section 129(a)(4)(A), WIOA, 128 Stat. 1506 states in part: ". . . (b) and not less than 75 percent of funds available to local areas under subsection (c), shall be used to provide youth workforce investment activities for out-of-school youth. . . ."

*Cause*

Management had not developed a system of internal controls that segregated key functions and also failed to ensure that documentation was maintained and made available for audit related to the compliance requirement.

*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. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

The failure to retain or provide appropriate supporting documentation prevented the determination of the County's compliance with the earmarking requirements.

*Questioned Costs*

Although questioned costs exist, we were unable to ascertain the value of these costs due to the poor quality of the records and the inability to project questioned costs findings onto the population.

*Recommendation*

We recommended that management of the County establish controls related to the grant agreement and the compliance requirement listed above and have audit documentation available related to the compliance requirement.

*Views of Responsible Officials*

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

*Auditor's Response*

During our audit of this grant, there were one hundred emails that had been sent back and forth requesting audit documentation and answering requests, along with numerous hours of in person inquiries with JobSource, a fiscal department of the County. The JobSource Controller instructed the auditors to request all information from the County Controller and that all information would need to be obtained through him. During the audit, the auditors contacted other JobSource employees for information requests, but often received answers stating that they did not know how to provide the documentation requested. The documentation provided by the Controller of JobSource did not support the reimbursement claims, which consisted of summary entries from cost pools. It was determined through inquiry and inspection that many of the cost pools came from other cost pools, which prevented the auditors from determining if some expenditures were being counted twice, as noted in the *Condition*.

BOARD OF COUNTY COMMISSIONERS  
MADISON COUNTY  
FEDERAL FINDINGS  
(Continued)

***FINDING 2017-008***

Subject: WIOA Cluster - Eligibility  
Federal Agency: Department of Labor  
Federal Programs: WIOA Adult Program, WIOA Youth Activities,  
WIOA Dislocated Worker Formula Grants  
CFDA Numbers: 17.258, 17.259, 17.278  
Federal Award Number and Year (or Other Identifying Number): PY15-CR-01-IA  
Pass-Through Entity: Interlocal Association  
Compliance Requirement: Eligibility  
Audit Finding: Material Weakness

*Repeat Finding*

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

*Condition*

An effective internal control system was not in place at JobSource, a fiscal department of the County, in order to ensure compliance with requirements related to the grant agreement and the Eligibility compliance requirement. After inquiry with staff, it was determined that no internal control over Eligibility existed.

*Context*

The lack of internal 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 that segregated key functions.

*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. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

BOARD OF COUNTY COMMISSIONERS  
MADISON COUNTY  
FEDERAL FINDINGS  
(Continued)

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that management of the County establish controls related to the grant agreement and the Eligibility 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 2017-009**

Subject: Non-Major Programs - Allowable Costs/Cost Principles

Federal Agencies: Department of Labor, Department of Energy,  
Department of Health and Human Services

Federal Programs: Unemployment Insurance, Weatherization Assistance for  
Low Income Persons, Temporary Assistance for Needy  
Families, Low Income Home Energy Assistance,  
and Community Services Block Grant

CFDA Numbers: 17.225, 81.042, 93.558, 93.568, 93.569

Federal Award Numbers and Years (or Other Identifying Numbers): PY15-CR-01-IA, WX-016-015,  
WX-017-015, WL-017-015,  
WL-018-015, CS-016-015,  
CS-017-015, FY17

Pass-Through Entities: Interlocal Association, Indiana Housing and Community Development

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-009.

*Condition*

An effective internal control system was not in place at JobSource, a fiscal department of the County, in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

During the audit of the WIOA Cluster as a major program for Madison County, it was found that the largest majority of costs for which reimbursements were requested were payroll and indirect costs. Payroll also included indirect costs from the Administrative Cost Pool. These same cost pools were being charged to the other non-major federal programs for which JobSource was also responsible. There were many issues noted with the reimbursement requests that made them unreliable. We were unable to obtain a population of transactions, the detail of specific reimbursements was unable to be verified in almost all cases, and once a detail was received there was a considerable difference between what was received and what was in the detail. The detail was comprised of multiple pages of indirect cost allocations that did not have supporting documentation. These amounts were comprised of numerous entries that came from indirect cost pools.

BOARD OF COUNTY COMMISSIONERS  
MADISON COUNTY  
FEDERAL FINDINGS  
(Continued)

Due to numerous errors and the lack of detailed information, we were unable to prove whether the reimbursements were for allowable costs. After multiple requests and numerous attempts to get supporting documentation, we were unable to get any detail that matched the reimbursement requests. These same cost pools were being charged to the other non-major federal programs as well.

JobSource was required to have an approved Cost Allocation Plan (CAP) in order to use indirect costs in its claims for reimbursement. JobSource did create a CAP, but had no documentation to show that it was approved by the federal awarding agencies, or the pass-through awarding agencies. This CAP was also lacking the internal approval of a second review for internal control purposes. Additionally, the CAP was missing many specific details required by 2 CFR 200 Appendix V section E.

*Context*

The lack of substantial detail of transactions 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). . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

2 CFR 200 Appendix V part D(3) states:

"All other local governments claiming central service costs must develop a plan in accordance with the requirements described in this Part and maintain the plan and related supporting documentation for audit. These local governments are not required to submit their plans for Federal approval unless they are specifically requested to do so by the cognizant agency for indirect costs. Where a local government only receives funds as a subrecipient, the pass-through entity will be responsible for monitoring the subrecipient's plan."

*Cause*

Management had not developed a system of internal controls that segregated key functions to ensure that adequate documentation was maintained and made available for audit related to Allowable Costs/Cost Principles.

BOARD OF COUNTY COMMISSIONERS  
MADISON 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. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

The failure to retain or provide appropriate supporting documentation prevented the determination of the County's compliance with the Allowable Costs/Cost Principles compliance requirement.

*Questioned Costs*

Although questioned costs exist, we were unable to ascertain the value of these costs due to the poor quality of the records and the inability to project questioned costs findings onto the population.

*Recommendation*

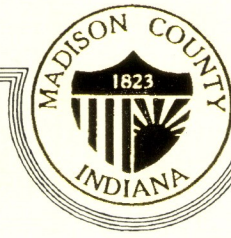
We recommended that management of the County establish controls related to the grant agreement and to ensure that adequate documentation is maintained and made available for audit related to Allowable Costs/Cost Principles.

*Views of Responsible Officials*

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

*Auditor's Response*

During our audit, there were one hundred emails that had been sent back and forth requesting audit documentation and answering requests, along with numerous hours of in person inquiries with JobSource, a fiscal department of the County. The JobSource Controller instructed the auditors to request all information from the County Controller and that all information would need to be obtained through him. During the audit, the auditors contacted other JobSource employees for information requests, but often received answers stating that they did not know how to provide the documentation requested. The documentation provided by the Controller of JobSource did not support the reimbursement claims, which consisted of summary entries from cost pools. We determined through inquiry and inspection that many of the cost pools came from other cost pools, which prevented the auditors from determining if some expenditures were being counted twice, as noted in the *Condition*.



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John M. Richwine, President  
Steffanie L. Owens  
W. Michael Phipps  
765/641-9474  
Fax 765/641-9578

## CORRECTIVE ACTION PLAN

### **FINDING 2017-003**

Contact Person Responsible for Corrective Action: Board of Commissioners Madison County  
Contact Phone Number: 765-641-9470

Views of Responsible Official: We agree with the finding. However, details for all transactions are kept on site for three years, and an additional 3 years at our storage facility. On site auditor never requested detailed information of summary transaction.

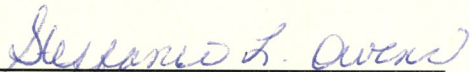
#### Description of Corrective Action Plan:

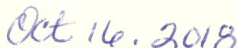
We will add an additional internal control in which the Executive Director or a designee of the Executive Director will review and approve claims for reimbursement.

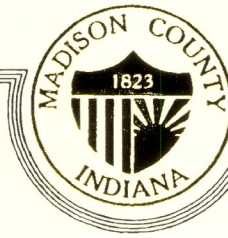
Along with this additional internal control, the new accounting system allow more detail to be retained electronically in the system.

#### Anticipated Completion Date:

The accounting system is already in use. The new internal control will be effective with the next reimbursement claim submission, tentatively November 10, 2018.

  
\_\_\_\_\_  
Steffanie L. Owens, Commissioner  
Board of Commissioners Madison County

  
\_\_\_\_\_  
Date



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## CORRECTIVE ACTION PLAN

### **FINDING 2017-004**

Contact Person Responsible for Corrective Action: Board of Commissioners Madison County  
Contact Phone Number: 765-641-9470

Views of Responsible Official: We agree with the finding. However, details for all transactions are kept on site for three years, and an additional 3 years at our storage facility. On site auditor never requested detailed information of summary transaction.

### Description of Corrective Action Plan:

We will add an additional internal control in which the Executive Director or a designee of the Executive Director will review and approve claims for reimbursement.

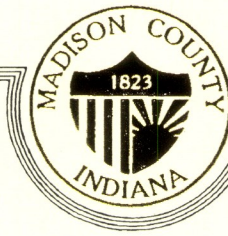
Along with this additional internal control, the new accounting system allow more detail to be retained electronically in the system.

### Anticipated Completion Date:

The accounting system is already in use. The new internal control will be effective with the next reimbursement claim submission, tentatively November 10, 2018.

Steffanie L. Owens  
Steffanie L. Owens, Commissioner  
Board of Commissioners Madison County

Oct 10, 2018  
Date



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## CORRECTIVE ACTION PLAN

### **FINDING 2017-005**

Contact Person Responsible for Corrective Action: Board of Commissioners Madison County  
Contact Phone Number: 765-641-9470

Views of Responsible Official: We agree with the finding. However, details for all transactions are kept on site for three years, and an additional 3 years at our storage facility. On site auditor never requested detailed information of summary transaction.

#### Description of Corrective Action Plan:

We will add an additional internal control in which the Executive Director or a designee of the Executive Director will review and approve claims for reimbursement.

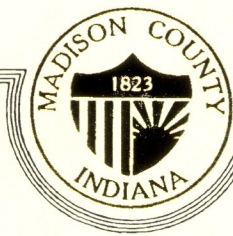
Along with this additional internal control, the new accounting system allow more detail to be retained electronically in the system.

#### Anticipated Completion Date:

The accounting system is already in use. The new internal control will be effective with the next reimbursement claim submission, tentatively November 10, 2018.

Steffanie L. Owens  
Steffanie L. Owens, Commissioner  
Board of Commissioners Madison County

Oct 16, 2018  
Date



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## CORRECTIVE ACTION PLAN

### **FINDING 2017-006**

Contact Person Responsible for Corrective Action: Board of Commissioners Madison County  
Contact Phone Number: 765-641-9470

Views of Responsible Official: We agree with the finding. However, details for all transactions are kept on site for three years, and an additional 3 years at our storage facility. On site auditor never requested detailed information of summary transaction.

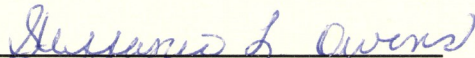
#### Description of Corrective Action Plan:

We will add an additional internal control in which the Executive Director or a designee of the Executive Director will review and approve claims for reimbursement.

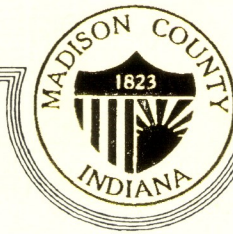
Along with this additional internal control, the new accounting system allow more detail to be retained electronically in the system.

#### Anticipated Completion Date:

The accounting system is already in use. The new internal control will be effective with the next reimbursement claim submission, tentatively November 10, 2018.

  
Steffanie L. Owens, Commissioner  
Board of Commissioners Madison County

Oct 16, 2018  
Date



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W. Michael Phipps  
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Fax 765/641-9578

## CORRECTIVE ACTION PLAN

### **FINDING 2017-007**

Contact Person Responsible for Corrective Action: Board of Commissioners Madison County  
Contact Phone Number: 765-641-9470

Views of Responsible Official: We agree with the finding. However, details for all transactions are kept on site for three years, and an additional 3 years at our storage facility. On site auditor never requested detailed information of summary transaction.

#### Description of Corrective Action Plan:

We will add an additional internal control in which the Executive Director or a designee of the Executive Director will review and approve claims for reimbursement.

Along with this additional internal control, the new accounting system allow more detail to be retained electronically in the system.

#### Anticipated Completion Date:

The accounting system is already in use. The new internal control will be effective with the next reimbursement claim submission, tentatively November 10, 2018.

Steffanie L. Owens  
Steffanie L. Owens, Commissioner  
Board of Commissioners Madison County

Oct 16, 2018  
Date

# MADISON COUNTY



# INDIANA

BOARD OF COUNTY COMMISSIONERS  
MADISON COUNTY GOVERNMENT CENTER  
16 E. 9TH STREET  
ANDERSON, INDIANA 46016  
commissioners@madisoncounty.in.gov

John M. Richwine, President  
Steffanie L. Owens  
W. Michael Phipps  
765/641-9474  
Fax 765/641-9578

## CORRECTIVE ACTION PLAN

### **FINDING 2017-008**

Contact Person Responsible for Corrective Action: Board of Commissioners Madison County  
Contact Phone Number: 765-641-9470

Views of Responsible Official: We partially agree with the finding

Description of Corrective Action Plan:

We will add an additional internal control in which the team lead or application reviewer sill sign off as having reviewed the application.

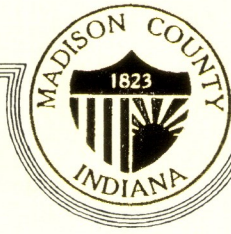
Anticipated Completion Date:

The new internal control will be effective immediately upon the acceptance of this corrective action plan.

Steffanie L. Owens  
Steffanie L. Owens, Commissioner  
Board of Commissioners Madison County

Oct 16, 2018  
Date

# MADISON COUNTY



# INDIANA

BOARD OF COUNTY COMMISSIONERS  
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## CORRECTIVE ACTION PLAN

### **FINDING 2017-009**

Contact Person Responsible for Corrective Action: Board of Commissioners Madison County  
Contact Phone Number: 765-641-9470

Views of Responsible Official: We agree with the finding. However, details for all transactions are kept on site for three years, and an additional 3 years at our storage facility. On site auditor never requested detailed information of summary transaction.

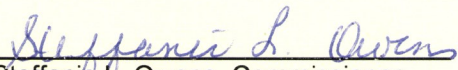
### Description of Corrective Action Plan:


We will add an additional internal control in which the Executive Director or a designee of the Executive Director will review and approve claims for reimbursement.

Along with this additional internal control, the new accounting system allow more detail to be retained electronically in the system.

### Anticipated Completion Date:

The accounting system is already in use. The new internal control will be effective with the next reimbursement claim submission, tentatively November 10, 2018.

  
Steffanie L. Owens, Commissioner  
Board of Commissioners Madison County

  
Date

BOARD OF COUNTY COMMISSIONERS  
MADISON COUNTY  
AUDIT RESULT AND COMMENT

***DEPOSIT OF FUNDS***

In June of 2017, the County Council approved a resolution to transfer Food and Beverage Tax revenues from the County Economic Development fund in the amount of \$81,000 to the County's General fund. The check was issued in June and was given to the Board of County Commissioners. The check was not deposited, nor was the amount receipted into the General fund. The check was included as outstanding on the Treasurer's Bank Reconciliation at December 31, 2017. During our audit, this was brought to the County's attention and the check was receipted and deposited in July of 2018.

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

When funds are transferred from one fund to another fund, such as loans, advances, reimbursements and payroll deductions, a warrant should be issued in favor of the "Treasurer of \_\_\_\_\_ County" and an application to pay, receipt and quietus should be immediately issued in favor of the treasurer for the receipt of such funds. Both the warrant and the receipt must clearly show the funds and accounts to be charged and credited and the reason for the transfer. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 6)

BOARD OF COUNTY COMMISSIONERS  
MADISON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 9, 2018, with John M. Richwine, President of the Board of County Commissioners; Steffanie Owens, County Commissioner; Mike Phipps, County Commissioner; Mike Gaskill, County Council member; Lou Mozingo, JobSource Controller; Joanna Collette, JobSource Executive Director; and Vince Smith, JobSource Deputy Executive Director.

COUNTY PROSECUTING ATTORNEY  
MADISON COUNTY

COUNTY PROSECUTING ATTORNEY  
MADISON COUNTY  
AUDIT RESULT AND COMMENT

***RECEIPT ISSUANCE - PRE-TRIAL DIVERSION FEES***

This is a similar Audit Result and Comment from the immediately prior Report B51344, entitled *RECEIPT ISSUANCE - PRE-TRIAL DIVERSION FEES*.

The County Prosecuting Attorney's office collects pre-trial diversion fees instead of requiring clients to remit these fees to the Clerk hearing the violation. Money orders made out to various referring courts for pre-trial diversion fees are collected in the County Prosecuting Attorney's office and then delivered to the referring courts. Approved or prescribed receipt forms were not issued to clients for the money orders received by the County Prosecuting Attorney's office, but were receipted by the Clerk of the referring court at a later date when the money orders were delivered to those courts. In some instances, the clients sent money orders made out to Madison County instead of to the referring court. When this happened, the County Prosecuting Attorney's office would remit the collections to the County Auditor's office to be receipted into the Pre-Trial Diversion fund.

Indiana Code 33-37-4-1(c) states in part:

"Instead of the criminal costs fee prescribed by this section, except for the automated record keeping fee ([IC 33-37-5-21](#)), the clerk shall collect a pretrial diversion fee if an agreement between the prosecuting attorney and the accused person entered into under [IC 33-39-1-8](#) requires payment of those fees by the accused person. . . ."

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY PROSECUTING ATTORNEY  
MADISON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 9, 2018, with Rodney Cummings, County Prosecuting Attorney; Steffanie Owens, County Commissioner; and Mike Gaskill, County Council member.

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COUNTY PUBLIC DEFENDER  
MADISON COUNTY

COUNTY PUBLIC DEFENDER  
MADISON COUNTY  
AUDIT RESULT AND COMMENT

***DISBURSEMENTS FOR LEGAL SERVICES***

This is a similar Audit Result and Comment from the immediately prior Report B51344, entitled *DISBURSEMENTS FOR LEGAL SERVICES*.

The County's Public Defenders were paid as employees of the County. The salaries were included in the County ordinance fixing the salary of each and every appointed employee in the County and the Courts. The salary paid to these employees is a set amount paid every two weeks. There were no supporting documentation of time worked nor was the Prescribed Form 99A "Employee's Service Record" submitted by any of these attorneys.

Indiana Code 5-11-9-4(b) states:

"The state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees:

- (1) covered by section 1 or 2 of this chapter; and
- (2) employed by more than one (1) public agency or in more than one (1) position by the same public agency described in section 1 or 2 of this chapter."

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

COUNTY PUBLIC DEFENDER  
MADISON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 9, 2018, with James F. Hunter III, Court Administrator; Debby Blackmon, Bookkeeper Court Administrator; Steffanie Owens, County Commissioner; and Mike Gaskill, County Council member.