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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SCOTT COUNTY, INDIANA

January 1, 2017 to December 31, 2017

FILED
11/28/2018

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SCHEDULE OF OFFICIALS

Office	Official	Term
County Auditor	Tammy Stout Johnson	01-01-15 to 12-31-18
County Treasurer	Sheryl Jent	01-01-17 to 12-31-20
Clerk of the Circuit Court	Missy Applegate	01-01-17 to 12-31-20
County Sheriff	Joseph Daniel McClain	01-01-15 to 03-29-18
	(Vacant)	03-30-18 to 04-11-18
	Kenneth D. Hughbanks	04-12-18 to 12-31-18
County Recorder	Annalee Turley	01-01-17 to 03-09-18
	(Vacant)	03-10-18 to 03-29-18
	Marilyn S. Kundysek	03-30-18 to 12-31-20
President of the Board of County Commissioners	Robert Tobias	01-01-17 to 12-31-18
President of the County Council	Mike Zollman	01-01-17 to 12-31-18

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of Scott County (County), for the period from January 1, 2017 to December 31, 2017. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the County. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the County, which provides our opinions on the County's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

October 29, 2018

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COUNTY AUDITOR
SCOTT COUNTY

COUNTY AUDITOR
SCOTT COUNTY
FEDERAL FINDINGS

FINDING 2017-001

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

Condition

The County did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). No evidence was presented for audit that indicated someone other than the person entering the federal grant information into the Indiana Gateway for Government Units financial reporting system, which was the source of the SEFA, was reviewing the information for accuracy.

Context

The SEFA contained the following errors:

1. Three grants were omitted, resulting in an understatement of expenditures in the amount of $27,750.

2. One state grant was incorrectly included, resulting in an overstatement of expenditures in the amount of $91,587.

3. Four grants were incorrectly reported, resulting in an overstatement or $18,940.

4. There were several errors in reporting the correct awarding agency, program title, project title, pass-through entity, and CFDA numbers.

The net amount of errors resulted in an overstatement of $82,777.

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.

(3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.

(4) Include the total amount provided to subrecipients from each Federal program.

(5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.

(6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials

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

FINDING 2017-002

Subject: Financial Transactions and Reporting - County Auditor
Audit Finding: Material Weakness

Condition

The County Auditor's office was responsible for inputting the financial information into the County's Annual Financial Report (AFR) within the Indiana Gateway for Government Units (Gateway) financial reporting system. No evidence was presented for audit to indicate someone other than the person entering the financial information for the AFR reviewed the information to ensure accuracy and completeness prior to submission.

Context

The lack of documented controls, such as an oversight, review, and approval, over the information entered into Gateway was a systemic problem throughout the audit period.

Criteria

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

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

Effect

The failure to establish controls could have enabled misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the County at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, misstatements in a timely manner.

Recommendation

We recommended that the County establish a system of internal controls 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 2017-006

Subject: Child Support Enforcement - Reporting
Federal Agency: Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Year (or Other Identifying Number): 1704INCSES
Pass-Through Entity: Indiana Department of Child Services
Compliance Requirement: Reporting
Audit Finding: Material Weakness, Other Matters

Condition

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

The Quarterly Incentive Balance Reports were prepared and submitted by the Deputy County Auditor. No evidence was presented for audit that indicated someone other than the preparer of the reports was reviewing the reports for accuracy and completeness prior to submission.

The Monthly Expense Claims of the County Prosecuting Attorney's office included requests for reimbursement of expenditure amounts that were paid from the Incentive Funds.

Context

There was no indication that the quarterly incentive balance reports for the 2nd, 3rd, and 4th quarters of 2017 were reviewed and approved by anyone other than the preparer.

There were five Monthly Expenditure Claims filed during the audit period that showed the expenditure amounts paid from the Incentive Funds being added instead of subtracted from the reimbursement requests.

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 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following . . .

(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . .

(3) Records that identify adequately the source and application of funds for federally funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation. . . ."

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls related to the grant agreement and the Reporting compliance requirement.

Views of Responsible Officials

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

Tammy Stout Johnson
Auditor of Scott County
Scott County Courthouse
1 East McClain Avenue, Suite 130
Scottsburg, IN 47170

Phone (812) 752-8408
Fax (812) 752-7914
Email:
tammy.johnson@scottcounty.in.gov

October 17, 2018

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Tammy Stout Johnson
Contact Phone Number: 812-752-8408

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: To put proper Internal Control procedures in place for accuracy in reporting and detection of errors on the Schedule of Expenditures of Federal Awards (SEFA), information entered into Gateway will be reviewed and both the preparer and reviewer will acknowledge the data by signing a paper duplicate.

Anticipated Completion Date: 2018 Annual Gateway Submittal

Tammy Stout Johnson
(Signature)

Scott County Auditor
(Title)

10-17-18
(Date)

Tammy Stout Johnson
Auditor of Scott County
Scott County Courthouse
1 East McClain Avenue, Suite 130
Scottsburg, IN 47170

Phone (812) 752-8408
Fax (812) 752-7914
Email:
tammy.johnson@scottcounty.in.gov

October 17, 2018

CORRECTIVE ACTION PLAN

FINDING 2017-002

Contact Person Responsible for Corrective Action: Tammy Stout Johnson
Contact Phone Number: 812-752-8408

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: To put proper Internal Control procedures in place for accuracy in reporting and detection of errors on the Annual Report, information entered into Gateway will be reviewed and both the preparer and reviewer will acknowledge the data by signing a paper duplicate.

Anticipated Completion Date: 2018 Annual Report Submittal

Tammy Stout Johnson
(Signature)

Scott County Auditor
(Title)

10-17-18
(Date)

Tammy Stout Johnson
Auditor of Scott County
Scott County Courthouse
1 East McClain Avenue, Suite 130
Scottsburg, IN 47170

Phone (812) 752-8408
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Email:
tammy.johnson@scottcounty.in.gov

October 17, 2018

CORRECTIVE ACTION PLAN

FINDING 2017-006

Contact Person Responsible for Corrective Action: Tammy Stout Johnson
Contact Phone Number: 812-752-8108

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Prior to the second quarter of 2017, the QIB Report had sections for both preparer and reviewer to attest to the report. The State's form changed to only have a signature line for the preparer. To put proper Internal Control procedures in place for accuracy in reporting and detection of errors on the QIB Report, information entered will be reviewed and both the preparer and reviewer will acknowledge the QIB Report data by signing the document.

Anticipated Completion Date: 2018 Fourth Quarter QIB Report

Tammy Stout Johnson
(Signature)

Scott County Auditor
(Title)

10-17-18
(Date)

COUNTY AUDITOR
SCOTT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 29, 2018, with Tammy Stout Johnson, County Auditor; Teresa Vannarsdall, Chief Deputy County Auditor; Robert Tobias, President of the Board of County Commissioners; Mike Zollman, President of the County Council; Iva Gasaway, County Council member; Robert D. Peacock, County Council member; and Albert Watts, County Council member.

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COUNTY TREASURER
SCOTT COUNTY

COUNTY TREASURER
SCOTT COUNTY
FEDERAL FINDING

FINDING 2017-003

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

Condition

There were several deficiencies in the internal control system of the County Treasurer's office related to financial transactions and reporting.

1. The County Treasurer's Daily Balance of Cash and Depositories, Form 47 (Cash Book), was not being posted and balanced daily. A review of the Cash Book on September 26, 2018, showed that the last transaction posted was on July 31, 2018. There were no controls established to ensure that the posting and reconciling of the Cash Book was done daily as required by statute.

2. When the Cash Book reconciliation was completed, variances in the Cash Book were not investigated. A line item titled "Adjustments" was added to the Cash Book to hold all of these unidentified variances. These variances were resolved during the settlement process.

3. The Cash Book was not reconciled to the balance statements from the bank on a monthly basis. There were no controls established to ensure that the monthly bank reconcilements were completed and accurate.

4. There were variances between the fund ledger maintained by the County Auditor and the Total Ledger - Cash listed on the Cash Book.

5. After adjusting for identified errors, the total cash and investments per the Cash Book indicated a cash necessary to balance of $18,487.

Context

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

Criteria

Indiana Code 5-13-5-1(a) states:

"Every public officer who receives or distributes public funds shall:

(1) keep a cashbook into which the public officer shall enter daily, by item, all receipts of public funds; and

(2) balance the cashbook daily to show funds on hand at the close of each day."

The Treasurer's Daily Balance of Cash and Depositories, Form 47, is the record prescribed to enable the treasurer to comply with IC 5-13-5-1. It reflects the daily receipts and disbursements, total amount of cash and investments on hand, and a proof of the financial condition of the office at the close of each day.

The record is designed to be posted "daily," with a separate page for each day. The left side of the page shows the total amount of money for which the treasurer is accountable (charges) and the right side of the page shows the money on deposit, invested or on hand (credits), as proof of the financial condition. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 5)

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 should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, 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:

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> 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. The failure to monitor the internal control system placed the County at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, misstatements in a timely manner.

Recommendation

We recommended that the County establish a system of internal controls related to financial transactions and reporting of cash and investments.

Views of Responsible Officials

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

CORRECTIVE ACTION PLAN

FINDING 2017-003

Contact Person Responsible for Corrective Action: ***Sheryl Jent***
Contact Phone Number: ***812.752.8414***

Views of responsible Official: ***We concur with the finding.***

Description of Corrective Action Plan:

The Cash Book was done weekly even though balancing with the Auditor is done daily through our Low Financial Software. We will enter CB daily as of today. We have discussed with the Auditor on how to make Settlement a smoother process therefore December 2018 should not be an issue like the last transaction posting in July 31 waiting for variances to be resolved during Settlement process. I have designed an Excel reconciliation spreadsheet to implement and assist us on reconciling CB to bank stmts. to ensure they are complete and accurate. A new payroll employee was hired in July 2018 making the transition somewhat a challenge for Treasurer's office to balance daily. We have discussed what paperwork is needed and she understands/agrees. Therefore, balancing on a daily basis should no longer be an issue.

Anticipated Completion Date: ***The correction action plan has been taken immediately.***

Sheryl Jent

Scott County Treasurer

10/24/18

COUNTY TREASURER
SCOTT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 24, 2018, with Sheryl Jent, County Treasurer.

The contents of this report were discussed on October 29, 2018, with Tammy Stout Johnson, County Auditor; Teresa Vannarsdall, Chief Deputy County Auditor; Robert Tobias, President of the Board of County Commissioners; Mike Zollman, President of the County Council; Iva Gasaway, County Council member; Robert D. Peacock, County Council member; and Albert Watts, County Council member.

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CLERK OF THE CIRCUIT COURT
SCOTT COUNTY

CLERK OF THE CIRCUIT COURT
SCOTT COUNTY
FEDERAL FINDING

FINDING 2017-004

Subject: Financial Transactions and Reporting - Clerk of the Circuit Court
Audit Finding: Material Weakness

Condition

No evidence was presented for audit that indicated that someone other than the persons who made up deposits and processed the daily reports verified and documented that the amounts being deposited agreed to the total amount of receipts for the day for Clerk of the Circuit Court's (Clerk) collections and the child support collections. No evidence was presented for audit that indicated that a review of the disbursements was performed to ensure the disbursements were in the proper amount and were properly posted to the correct accounts.

Credit card payments to the Clerk's office were not being reconciled properly. A separate bank account was used to account for credit card payments. These payments were not always being receipted timely. Subsequent transfers were made from this bank account to the Clerk's operating account on a monthly basis; however, there were unidentified credit card payment funds left in the bank account due to not properly receipting and reconciling the credit card payments.

Context

The lack of adequate internal controls was a systemic issue throughout the audit period.

Criteria

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

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

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

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

Cause

Management of the Clerk's office had not established a proper system of internal control that segregated key functions.

Effect

The failure to establish controls could have 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 of receipts and disbursements.

Views of Responsible Officials

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

Missy Applegate
SCOTT COUNTY CLERK OF COURTS

1 East McClain Avenue, Suite 120
Scottsburg, Indiana 47170
(812) 752-8420

CORRECTIVE ACTION PLAN

FINDING 2017-004

Contact Person Responsible for Corrective Action: Missy Applegate
Contact Phone Number: 812-752-8420

Views Of Responsible Official: I feel the below action plan will be a good review of the disbursements to ensure the disbursements will be in the proper amounts and in the proper accounts.

Description of Corrective Action Plan: The Clerk's Office will be fixing the issue with Odyssey by having someone other than the individual that closed the deposit ticket check the "Receipt Journal by Fund & Fee Code". This report gives a case number along with who processed the money into the case number and then initial the report. This way we will have someone review the disbursements and to make sure that they were properly posted in the correct case numbers.

The issue with the ISETS will be resolved by printing out a "Payments Posted on Host for Counties" the next day and having someone review all case numbers that were done in the office to verify that the money was deposited into the correct account and initial when done.

The PayGov issue is resolved by having an Odyssey receipt attached to each credit card payment. At the end of the each month reports are generated from PayGov and reconciled with our bank statement.

Anticipated Completion Date: We will be starting this procedure on October 24, 2018.

Missy Applegate
(Signature)

Clerk
(Title)

October 24, 2018
(Date)

CLERK OF THE CIRCUIT COURT
SCOTT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 26, 2018, with Missy Applegate, Clerk of the Circuit Court.

The contents of this report were discussed on October 29, 2018, with Tammy Stout Johnson, County Auditor; Teresa Vannarsdall, Chief Deputy County Auditor; Robert Tobias, President of the Board of County Commissioners; Mike Zollman, President of the County Council; Iva Gasaway, County Council member; Robert D. Peacock, County Council member; and Albert Watts, County Council member.

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COUNTY PROSECUTING ATTORNEY
SCOTT COUNTY

FINDING 2017-005

Subject: Child Support Enforcement - Allowable Costs/Cost Principles
Federal Agency: Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Year (or Other Identifying Number): 1704INCSES
Pass-Through Entity: Indiana Department of Child Services
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system, which would include segregation of duties, was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The County Prosecuting Attorney's office allocated employee time worked on IV-D activities based on case counts for those employees whose work effort was less than 100 percent dedicated to IV-D matters. However, there was no supporting documentation to show how this was determined, and the same allocation percentage was not used for all employees. The case counts were not specifically documented with a calculated IV-D percentage for each employee. The time allocated was recorded on records of monthly time, but these records were not always signed by the employees.

One County Prosecuting Attorney's office employee's compensation was paid partly from Incentive Funds, in which case the salary and benefits paid from Incentive Funds were to be deducted from the amount of personal services expenditures to be claimed for reimbursement. However, for the months from June through October 2017, the amounts paid from Incentive Funds were added instead of being deducted.

The County's IV-D Court did not present documentation of time and effort logs or other documentation to support salary and benefits claimed for the Magistrate. Also, for the month of July 2017, time used for the Court Reporters to reach the amount of personal services expenditures claimed for reimbursement was based on an average rather the actual hours shown as dedicated to IV-D matters.

Context

The lack of supporting documentation for the time charged to the IV-D program by employees of the County Prosecuting Attorney's office was a systemic issue throughout the audit period.

The lack of supporting documentation by the County's IV-D Court to support the salary and benefits reimbursed during 2017 for the Magistrate 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 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards: . . .

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .

(g) Be adequately documented. . . ."

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

(ii) Be incorporated into the official records of the non-Federal entity;

(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Cause

The County Prosecuting Attorney's office and the IV-D Court have not adopted and followed policies and procedures to ensure compliance with the Allowable Cost/Cost Principles compliance requirement.

Effect

The lack of supporting documentation for the calculated IV-D percentages used to allocate time to the IV-D program and the inclusion of personal services expenditures paid from incentive funds resulted in improper claiming of expenditures for reimbursement. A lack of an effective internal control system allowed noncompliance with the compliance requirement and could have allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

The lack of supporting documentation for the calculated IV-D percentages used to allocate time to the IV-D program and the inclusion of personal services expenditures paid from incentive funds resulted in these costs being considered questioned costs in the total amount of $74,639.

Recommendation

We recommended that the County Prosecuting Attorney and County IV-D Court implement policies and procedures to correct the noncompliance identified. We also recommended that the County's management establish and implement controls, including segregation of duties, related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

FINDING 2017-006

Subject: Child Support Enforcement - Reporting
Federal Agency: Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Year (or Other Identifying Number): 1704INCSES
Pass-Through Entity: Indiana Department of Child Services
Compliance Requirement: Reporting
Audit Finding: Material Weakness, Other Matters

Condition

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

The Quarterly Incentive Balance Reports were prepared and submitted by the Deputy County Auditor. No evidence was presented for audit that indicated someone other than the preparer of the reports was reviewing the reports for accuracy and completeness prior to submission.

The Monthly Expense Claims of the County Prosecuting Attorney's office included requests for reimbursement of expenditure amounts that were paid from the Incentive Funds.

Context

There was no indication that the quarterly incentive balance reports for the 2nd, 3rd, and 4th quarters of 2017 were reviewed and approved by anyone other than the preparer.

There were five Monthly Expenditure Claims filed during the audit period that showed the expenditure amounts paid from the Incentive Funds being added instead of subtracted from the reimbursement requests.

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 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following . . .

(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . .

(3) Records that identify adequately the source and application of funds for federally funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation. . . ."

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls related to the grant agreement and the Reporting compliance requirement.

Views of Responsible Officials

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

CHRIS A. OWENS

SCOTT COUNTY PROSECUTING ATTORNEY

SIXTH JUDICIAL CIRCUIT

1 East McClain Avenue, Suite 220, Scottsburg, Indiana 47170

Phone 812-752-8466 ● Fax 812-752-3441

CORRECTIVE ACTION PLAN

FINDING 2017-005

Contact Person Responsible for Corrective Action: Chris A. Owens
Contact Phone Number: (812) 752-8466

Views of Responsible Official:
We concur with the finding.

Description of Corrective Action Plan:
Regarding the case count for employees who work less than 100% on IV-D matters we now have a case management system that can generate reports for us regarding the number of pending cases we have. We will run a report of pending cases on a monthly basis, print that report out, and keep the printout for supporting documentation.

Regarding the salary and benefits paid from Incentive Funds that were added instead of subtracted to the account, we will have better oversight and review of the documentation before signing it.

Anticipated Completion Date: October 31, 2018

(Signature)

Prosecuting Attorney
(Title)

October 24, 2018
(Date)

CHRIS A. OWENS
SCOTT COUNTY PROSECUTING ATTORNEY
SIXTH JUDICIAL CIRCUIT
1 East McClain Avenue, Suite 220, Scottsburg, Indiana 47170
Phone 812-752-8466 ● Fax 812-752-3441

CORRECTIVE ACTION PLAN

FINDING 2017-006

Contact Person Responsible for Corrective Action: Chris A. Owens
Contact Phone Number: (812) 752-8466

Views of Responsible Official:
We concur with the finding.

Description of Corrective Action Plan:
Regarding the salary and benefits paid from Incentive Funds that were added instead of subtracted to the account, we will have better oversight and review of the documentation before signing it.

Anticipated Completion Date: October 31, 2018

(Signature)

Prosecuting Attorney
(Title)

October 24, 2018
(Date)

COUNTY PROSECUTING ATTORNEY
SCOTT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 26, 2018, with Chris A. Owens, County Prosecuting Attorney.

The contents of this report were discussed on October 29, 2018, with Tammy Stout Johnson, County Auditor; Teresa Vannarsdall, Chief Deputy County Auditor; Robert Tobias, President of the Board of County Commissioners; Mike Zollman, President of the County Council; Iva Gasaway, County Council member; Robert D. Peacock, County Council member; and Albert Watts, County Council member.

COUNTY CIRCUIT COURT JUDGE
SCOTT COUNTY

FINDING 2017-005

Subject: Child Support Enforcement - Allowable Costs/Cost Principles
Federal Agency: Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Year (or Other Identifying Number): 1704INCSES
Pass-Through Entity: Indiana Department of Child Services
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system, which would include segregation of duties, was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The County Prosecuting Attorney's office allocated employee time worked on IV-D activities based on case counts for those employees whose work effort was less than 100 percent dedicated to IV-D matters. However, there was no supporting documentation to show how this was determined, and the same allocation percentage was not used for all employees. The case counts were not specifically documented with a calculated IV-D percentage for each employee. The time allocated was recorded on records of monthly time, but these records were not always signed by the employees.

One County Prosecuting Attorney's office employee's compensation was paid partly from Incentive Funds, in which case the salary and benefits paid from Incentive Funds were to be deducted from the amount of personal services expenditures to be claimed for reimbursement. However, for the months from June through October 2017, the amounts paid from Incentive Funds were added instead of being deducted.

The County's IV-D Court did not present documentation of time and effort logs or other documentation to support salary and benefits claimed for the Magistrate. Also, for the month of July 2017, time used for the Court Reporters to reach the amount of personal services expenditures claimed for reimbursement was based on an average rather the actual hours shown as dedicated to IV-D matters.

Context

The lack of supporting documentation for the time charged to the IV-D program by employees of the County Prosecuting Attorney's office was a systemic issue throughout the audit period.

The lack of supporting documentation by the County's IV-D Court to support the salary and benefits reimbursed during 2017 for the Magistrate 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 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards: . . .

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .

(g) Be adequately documented. . . ."

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

(ii) Be incorporated into the official records of the non-Federal entity;

(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Cause

The County Prosecuting Attorney's office and the IV-D Court have not adopted and followed policies and procedures to ensure compliance with the Allowable Cost/Cost Principles compliance requirement.

Effect

The lack of supporting documentation for the calculated IV-D percentages used to allocate time to the IV-D program and the inclusion of personal services expenditures paid from incentive funds resulted in improper claiming of expenditures for reimbursement. A lack of an effective internal control system allowed noncompliance with the compliance requirement and could have allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

The lack of supporting documentation for the calculated IV-D percentages used to allocate time to the IV-D program and the inclusion of personal services expenditures paid from incentive funds resulted in these costs being considered questioned costs in the total amount of $74,639.

Recommendation

We recommended that the County Prosecuting Attorney and County IV-D Court implement policies and procedures to correct the noncompliance identified. We also recommended that the County's management establish and implement controls, including segregation of duties, related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

SCOTT CIRCUIT COURT
JUDGE JASON M. MOUNT

1 East McClain Avenue, Suite 212 ❖ Scottsburg, Indiana 47170
Phone 812-752-8430 ❖ Fax 812-752-8431

CORRECTIVE ACTION PLAN

FINDING 2017-005

Contact Person Responsible for Corrective Action: Jason M. Mount, Judge
Scott Circuit Court

Contact Phone Number: (812) 752-8430

Views of Responsible Officer: Audit findings allege a lack of accountability and documentation for the IV-D work of the Child Support Referee. The Referee dedicates 100% of his efforts to IV-D activities, and nothing more. Accounting for the Referees time should not be an issue, because IV-D services are all he provides.

Further the findings allege a month in 2017 in which the Court Reporters time was based on an average rather than actual hours. The Court relies on the advice of IV-D consultant MAXIMUM to assist with claiming duties. The Court is not specifically aware of why July and July only was calculated in such a manner.

Description of Corrective Action Plan: Although the Court was only afforded 48 hours to respond to the findings, consultation with IV-D consultant MAXIMUS has already commenced, and the Court will determine a plan of action with the consultant which will avoid such a finding in the future. Although there has not been sufficient time for meaningful consultation to take place to determine a specific plan of action, the Court anticipates either using hourly time records or a 100% affidavit every six (6) months to certify the Referee's IV-D activities. With respect to the Court Reporter, the Court will either implement a "case count" percentage or will do a quarterly time study to address the time committed by the IV-D Reporter. The Reporter does have duties aside from IV-D reporting.

Jason M. Mount

Jason M. Mount, Judge
Scott Circuit Court

COUNTY CIRCUIT COURT JUDGE
SCOTT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 26, 2018, with Jason M. Mount, County Circuit Court Judge.

The contents of this report were discussed on October 29, 2018, with Tammy Stout Johnson, County Auditor; Teresa Vannarsdall, Chief Deputy County Auditor; Robert Tobias, President of the Board of County Commissioners; Mike Zollman, President of the County Council; Iva Gasaway, County Council member; Robert D. Peacock, County Council member; and Albert Watts, County Council member.