

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

DELAWARE COUNTY, INDIANA

January 1, 2016 to December 31, 2016



FILED
12/13/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Steven Craycraft	01-01-15 to 12-31-18
County Treasurer	Gary Campbell Edward E. Carroll, Jr.	03-07-15 to 12-31-16 01-01-17 to 12-31-20
Clerk of the Circuit Court	Mike King	01-01-15 to 12-31-18
County Sheriff	Ray Dudley	06-04-15 to 12-31-18
County Recorder	Melanie Marshall	01-01-15 to 12-31-18
President of the Board of County Commissioners	Shannon Henry James King	01-01-16 to 12-31-16 01-01-17 to 12-31-18
President of the County Council	Chris Matchett Ron Quakenbush	01-01-16 to 12-31-16 01-01-17 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

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TO: THE OFFICIALS OF DELAWARE COUNTY, INDIANA

This report is supplemental to our audit report of Delaware County (County), for the period from January 1, 2016 to December 31, 2016. It has been provided as a separate report so that the reader may easily identify any Federal Findings 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/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Result and Comment 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 Result and Comment contained herein describes the identified reportable instance 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 Office Response to the Audit Result and Comment incorporated within this report, were not verified for accuracy.

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

November 20, 2018

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BOARD OF COUNTY COMMISSIONERS
DELAWARE COUNTY

BOARD OF COUNTY COMMISSIONERS
DELAWARE COUNTY
AUDIT RESULT AND COMMENT

ADOPTION AND TRAINING ON INTERNAL CONTROL STANDARDS

The County failed to adopt the minimum internal control standards and procedures as required by Indiana Code 5-11-1-27(g). Therefore, the County did not train personnel on internal control standards as also required by Indiana Code 5-11-1-27(g).

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

BOARD OF COUNTY COMMISSIONERS
DELAWARE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 20, 2018, with Sherry Riggin, County Commissioner; Jane Lasater, County Council member; and Scott Alexander, County Council member.

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COUNTY AUDITOR
DELAWARE COUNTY

COUNTY AUDITOR
DELAWARE COUNTY
FEDERAL FINDINGS

FINDING 2016-001

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

Repeat Finding

This is a repeat of finding from the immediately prior audit report. The prior audit finding number was 2015-001.

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).

The County had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the SEFA.

Context

Due to the lack of controls, the following errors occurred on the SEFA:

1. The State and Community Highway Safety and Alcohol Impaired Driving Countermeasures Incentive Grants I were omitted, which resulted in an understatement of \$41,145.
2. Multiple Child Support Enforcement funds were omitted, which resulted in an understatement of \$157,378.
3. The Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements grant was understated by \$23,897.
4. The Emergency Management Performance Grants were understated by \$24,530.
5. The Homeland Security Grant Program was omitted, which resulted in an understatement of \$13,000.
6. Information such as grantor agency, program title, pass-through entity, Catalog of Federal Domestic Assistance (CFDA) number, and pass-through identifying number were either incorrectly reported or omitted for some grants.

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:

COUNTY AUDITOR
DELAWARE COUNTY
FEDERAL FINDINGS
(Continued)

"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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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 a 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.

COUNTY AUDITOR
DELAWARE COUNTY
FEDERAL FINDINGS
(Continued)

- (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, 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 2016-002

Subject: Internal Controls over 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 2015-002.

Condition

The County did not design effective controls over the preparation of the financial statement in order to prevent, or detect and correct, material misstatements, including the notes to the financial statement. The County submitted financial information into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report (AFR). The AFR was used to compile the County's financial statement. There was no control in place, such as an oversight, review, or approval process, to ensure the accuracy of the financial information prior to submission.

Context

Due to the lack of controls, the following errors occurred on the financial statement presented for audit:

COUNTY AUDITOR
DELAWARE COUNTY
FEDERAL FINDINGS
(Continued)

1. County Treasurer's Office: No effective controls were in place to determine whether the County Treasurer had properly reconciled to the County Auditor's office or that the amounts submitted for inclusion in the AFR were accurate. This resulted in an overstatement of \$94,257,598 in receipts and an overstatement of \$95,757,598 in expenditures on the financial statement.
2. County Treasurer's Office: No effective controls were in place to ensure the County Treasurer had properly maintained supporting documentation for the multiple bank reconciliations. Outstanding check lists were not maintained to support the County's reconciliation, which resulted in an unreconciled variance of \$275,628.
3. County Redevelopment Commission: There were no controls established over trust accounts held by the County Redevelopment Commission. There were 17 trust accounts held for redevelopment accounts outside the County Auditors records. There was no comprehensive review of these accounts performed, and ledgers were not properly maintained.
4. Inmate Trust: No effective controls were in place to ensure the Inmate Trust bank account was properly reconciled to the ledger balance. An outstanding check list was not maintained for the account, which led to an overstatement of \$7,529 of cash and investments on 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.

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

COUNTY AUDITOR
DELAWARE COUNTY
FEDERAL FINDINGS
(Continued)

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](#)."

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."

Cause

Management of the County had not established a proper system of internal control related to the County's financial transactions and reporting.

Effect

The failure to establish and properly implement internal controls enabled material misstatements to go undetected. The financial statement contained the errors identified in the *Context*.

Views of Responsible Officials

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



Steven G. Craycraft
Delaware County Auditor

FINDING 2016-001:

CONTACT PERSON: STEVEN G. CRAYCRAFT, AUDITOR
765-747-7717

I concur with the finding.

CORRECTIVE ACTION PLAN:

The Auditors financial department with input from the SBOA, have created a new Grant Policy that includes guidelines for Grant recipients and also the required forms that are to be completed and submitted to the County Auditor. The new Grant Policy will require better recordkeeping and reporting once a Grant is received.

The Grant Policy will be submitted to the County Commissioners for adoption.

TO BE COMPLETED BY DECEMBER 31, 2018.

A handwritten signature in black ink, appearing to read "S. G. Craycraft", written over a horizontal line.

Steven G. Craycraft, Auditor
Delaware County, Indiana



Steven G. Craycraft
Delaware County Auditor

FINDING 2016-002:

CONTACT PERSON: STEVEN G. CRAYCRAFT, AUDITOR
765-747-7717

I concur with the finding.

CORRECTIVE ACTION PLAN:

The County Auditor will review any and all information to be submitted into Gateway and will check to insure that the information to be submitted is accurate.

TO BE COMPLETED BY DECEMBER 31, 2018.

A handwritten signature in black ink, appearing to read "S G Craycraft", written over a horizontal line.

Steven G. Craycraft, Auditor
Delaware County, Indiana

100 W. Main Street Room 103 Muncie, IN 47305
Office: 765-747-7717 Fax: 765-741-3422
E-mail: scraycraft@co.delaware.in.us



Steven G. Craycraft
Delaware County Auditor

FINDING 2016-002:

**CONTACT PERSON: BRAD BOOKOUT, COUNTY REDEVELOPMENT
REPORT BY STEVEN G. CRAYCRAFT, AUDITOR
765-747-7717**

I concur with the finding.

CORRECTIVE ACTION PLAN:

The County Auditor now has oversight over accounts associated with Delaware County Redevelopment and they are now being ran through the Auditors Office. County Redevelopment trust accounts over time are being eliminated.

TO BE COMPLETED BY DECEMBER 31, 2018.

A handwritten signature in black ink, appearing to read "S. Craycraft", written over a horizontal line.

**Steven G. Craycraft, Auditor
Delaware County, Indiana**

**100 W. Main Street Room 103 Muncie, IN 47305
Office: 765-747-7717 Fax: 765-741-3422
E-mail: scraycraft@co.delaware.in.us**

COUNTY AUDITOR
DELAWARE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 20, 2018, with Steven Craycraft, County Auditor; Sherry Riggan, County Commissioner; Jane Lasater, County Council member; and Scott Alexander, County Council member.

COUNTY TREASURER
DELAWARE COUNTY

COUNTY TREASURER
DELAWARE COUNTY
FEDERAL FINDING

FINDING 2016-002

Subject: Internal Controls over 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 2015-002.

Condition

The County did not design effective controls over the preparation of the financial statement in order to prevent, or detect and correct, material misstatements, including the notes to the financial statement. The County submitted financial information into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report (AFR). The AFR was used to compile the County's financial statement. There was no control in place, such as an oversight, review, or approval process, to ensure the accuracy of the financial information prior to submission.

Context

Due to the lack of controls, the following errors occurred on the financial statement presented for audit:

1. County Treasurer's Office: No effective controls were in place to determine whether the County Treasurer had properly reconciled to the County Auditor's office or that the amounts submitted for inclusion in the AFR were accurate. This resulted in an overstatement of \$94,257,598 in receipts and an overstatement of \$95,757,598 in expenditures on the financial statement.
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Criteria

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COUNTY TREASURER
DELAWARE COUNTY
FEDERAL FINDING
(Continued)

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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- Accurate and timely recording of transactions. . . ."

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](#)."

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."

Cause

Management of the County had not established a proper system of internal control related to the County's financial transactions and reporting.

Effect

The failure to establish and properly implement internal controls enabled material misstatements to go undetected. The financial statement contained the errors identified in the *Context*.

Views of Responsible Officials

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



Steven G. Craycraft

Delaware County Auditor

CORRECTIVE ACTION PLAN

FINDING 2016-002

County Treasurer: Overstatement of Receipts and Expenditures on "Supplemental Annual Financial Report"

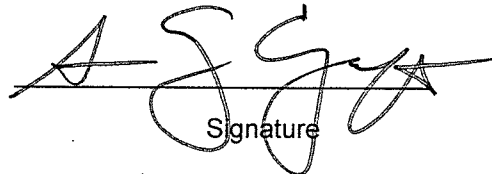
Contact Person Responsible for the Corrective Action: Ed Carroll

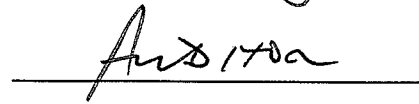
Contact Phone Number: 765-747-7808

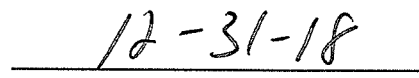
Views of Responsible Official: Although the settlement amounts were included on the "Supplemental Annual Financial Report" which is the form supplied to the auditor reporting year end financials. We concur with the finding.

Description of Corrective Action Plan: DO NOT include settlement amounts on the "Supplemental Annual Financial Report". New policy and procedures are now created outlining how to complete "Supplemental Annual Financial Report" as part of internal controls, then signed by office holder prior to submitting to Auditor.

Anticipated Completion Date: 01/01/2019


Signature


Title


Date



Steven G. Craycraft

Delaware County Auditor

CORRECTIVE ACTION PLAN

FINDING 2016-002

County Treasurer: Outstanding Checks

Contact Person Responsible for the Corrective Action: Ed Carroll

Contact Phone Number: 765-747-7808

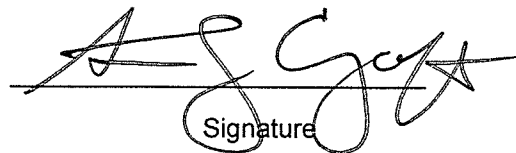
Views of Responsible Official:

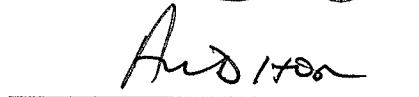
All financials, bank statements, TR-47 and bank reconciliation have been included as part of the month end reporting. TR-47 and bank reconciliation were both prepared by Assist Bookkeeper. Prior to February 2016, Assistant Bookkeeper kept self-made spreadsheet of outstanding checks. However the outstanding checks, the prior Assistant Bookkeeper had not kept any records of outstanding checks since February 2016 and resigned January 2017. During transition training period of old and new Assistant Bookkeepers. Training on tracking of outstanding checks in a spreadsheet never occurred, given the fact tracking stopped by old Assistant Bookkeeper in February of 2016. New Assistant Bookkeeper was hired February 2017, she did not go back to 2016 when reconciling outstanding checks.

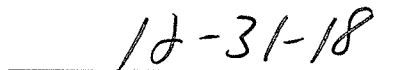
Description of Corrective Action Plan: We now have a separation of duties. Head Bookkeeper completes preliminary TR-47, Assist Bookkeeper completes bank reconciliation. Both reports are required to match and signed by office holder prior to TR-47 being submitted.

A separate excel spreadsheet of outstanding check list report is no longer utilized. As of September 2018 the bank statements "including outstanding checks" are imported into the check writing software system on a monthly basis for reconciliation. The outstanding check list is now included w/month-end financials "bank statements, bank reconciliation and TR-47.

Anticipated Completion Date: 01/01/2019


Signature


Title


Date

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E-mail: scraycraft@co.delaware.in.us

COUNTY TREASURER
DELAWARE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 20, 2018, with Edward E. Carroll, Jr., County Treasurer; Sherry Riggan, County Commissioner; Jane Lasater, County Council member; and Scott Alexander, County Council member.

COUNTY SHERIFF
DELAWARE COUNTY

COUNTY SHERIFF
DELAWARE COUNTY
FEDERAL FINDING

FINDING 2016-002

Subject: Internal Controls over 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 2015-002.

Condition

The County did not design effective controls over the preparation of the financial statement in order to prevent, or detect and correct, material misstatements, including the notes to the financial statement. The County submitted financial information into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report (AFR). The AFR was used to compile the County's financial statement. There was no control in place, such as an oversight, review, or approval process, to ensure the accuracy of the financial information prior to submission.

Context

Due to the lack of controls, the following errors occurred on the financial statement presented for audit:

1. County Treasurer's Office: No effective controls were in place to determine whether the County Treasurer had properly reconciled to the County Auditor's office or that the amounts submitted for inclusion in the AFR were accurate. This resulted in an overstatement of \$94,257,598 in receipts and an overstatement of \$95,757,598 in expenditures on the financial statement.
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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

COUNTY SHERIFF
DELAWARE COUNTY
FEDERAL FINDING
(Continued)

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- Accurate and timely recording of transactions. . . ."

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

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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."

Cause

Management of the County had not established a proper system of internal control related to the County's financial transactions and reporting.

Effect

The failure to establish and properly implement internal controls enabled material misstatements to go undetected. The financial statement contained the errors identified in the *Context*.

Views of Responsible Officials

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



Steven G. Craycraft
Delaware County Auditor

FINDING 2016-002:

CONTACT PERSON: RAY DUDLEY, SHERIFF
REPORT BY STEVEN G. CRAYCRAFT, AUDITOR
765-747-7717

I concur with the finding.

CORRECTIVE ACTION PLAN:

The Sheriff's office is going with another company to keep track of the inmate trust accounts and will work to find the difference so that when it is in place all is reconciled. Our completion date goal is January - March 2019.

TO BE COMPLETED JANUARY – MARCH 2019.

A handwritten signature in black ink, appearing to read "S. G. Craycraft", written over a horizontal line.

Steven G. Craycraft, Auditor
Delaware County, Indiana

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E-mail: scraycraft@co.delaware.in.us

COUNTY SHERIFF
DELAWARE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 20, 2018, with Ray Dudley, County Sheriff; Sherry Riggan, County Commissioner; Jane Lasater, County Council member; and Scott Alexander, County Council member.

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COUNTY HIGHWAY DEPARTMENT
DELAWARE COUNTY

COUNTY HIGHWAY DEPARTMENT
DELAWARE COUNTY
FEDERAL FINDING

FINDING 2016-003

Subject: Highway Planning and Construction Cluster - Period of Performance
Federal Agency: Department of Transportation
Federal Program: Highway Planning and Construction
CFDA Number: 20.205
Federal Award Number and Year (or Other Identifying Number): 17807068
Pass-Through Entity: Indiana Department of Transportation
Compliance Requirement: Period of Performance
Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the Period of Performance compliance requirement. Requested draws tested included expenditures that were not obligated within the period of performance.

Context

Due to the lack of effective controls, 30 percent of expenditures included on a reimbursement request submitted on November 1, 2016, was obligated before the grant funds were authorized for payment. The expenditure dates ranged from May 13, 2016 to June 30, 2016. Funds were not authorized for payment until July 1, 2016.

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

COUNTY HIGHWAY DEPARTMENT
DELAWARE COUNTY
FEDERAL FINDING
(Continued)

award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.309 states:

"A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance (except as described in § 200.461 Publication and printing costs) and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity."

Cause

Management of the County had not properly designed or implemented a system of internal controls that would have ensured compliance with the Period of Performance compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement or the Period of Performance 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 Period of Performance compliance requirement.

Views of Responsible Officials

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



Steven G. Craycraft
Delaware County Auditor

October 31, 2018

CORRECTIVE ACTION PLAN

FINDING: 2016-003

CONTACT PERSON RESPONSIBLE FOR CORRECTIVE ACTION:

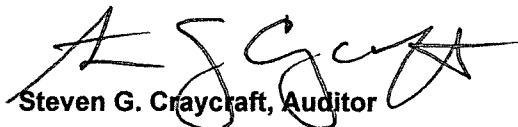
Robert Jessee, Highway Superintendent **765-747-7818**

Steven G. Craycraft, Delaware County Auditor **765-747-7717**

Concur with finding

The County Highway Department will keep better records of when grant funds received can be spent and will have better internal controls.

Anticipated to correct by year end 2018


Steven G. Craycraft, Auditor

Delaware County, Indiana

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COUNTY HIGHWAY DEPARTMENT
DELAWARE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 20, 2018, with Sherry Riggin, County Commissioner; Jane Lasater, County Council member; and Scott Alexander, County Council member.