

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

GRANT COUNTY, INDIANA

January 1, 2016 to December 31, 2016



FILED
12/20/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
County Auditor:	
Federal Findings:	
Finding 2016-001	
Preparation of the Schedule of Expenditures of Federal Awards	6-8
Finding 2016-002	
Financial Transactions and Reporting - Financial Statement.....	9-10
Finding 2016-003	
Internal Controls over Financial Transactions and Reporting -	
Payroll Disbursements	10-11
Corrective Action Plan	12-14
Audit Results and Comments:	
Condition of Records - Trust Funds	15
Internal Controls - Payroll	15
Exit Conference	16
County Treasurer:	
Federal Finding:	
Finding 2016-004	
Financial Transactions and Reporting - Bank Account Reconciliations	18-19
Corrective Action Plan	20
Audit Results and Comments:	
Monthly Financial Report (Form 47TR).....	21
Condition of Records - Cash Book.....	21-22
Personal Checks Substituted for Cash	22
Exit Conference	23
County Sheriff:	
Audit Results and Comments:	
JEAN (Joint Effort Against Narcotics) Team Fund.....	26
Condition of Records - Sheriff Commissary.....	26
Exit Conference	27
Board of County Commissioners:	
Federal Finding:	
Finding 2016-003	
Internal Controls over Financial Transactions and Reporting -	
Payroll Disbursements	30-31
Corrective Action Plan	32
Exit Conference	33
County Prosecuting Attorney:	
Federal Finding:	
Finding 2016-005	
Child Support Enforcement - Allowable Costs/Cost Principles	36-38
Corrective Action Plan	39
Exit Conference	40

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Roger A. Bainbridge	01-01-15 to 12-31-18
County Treasurer	Sarah A. Melford Tiffany N. Griffith	01-01-13 to 04-13 18 04-14-18 to 12-31-20
Clerk of the Circuit Court	Carolyn J. Mowery	08-01-15 to 12-31-18
County Sheriff	Reggial E. Nevels, Sr.	01-01-15 to 12-31-18
County Recorder	Pamela K. Harris	01-01-13 to 12-31-20
County Prosecuting Attorney	James D. Luttrull, Jr.	01-01-15 to 12-31-18
President of the Board of County Commissioners	John Lawson Michael H. Burton	01-01-16 to 12-31-16 01-01-17 to 12-31-18
President of the County Council	James E. McWhirt	01-01-16 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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Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF GRANT COUNTY, INDIANA

This report is supplemental to our audit report of Grant 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 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

November 29, 2018

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COUNTY AUDITOR
GRANT COUNTY

COUNTY AUDITOR
GRANT 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 finding from the immediately prior audit. 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 did not properly review the federal grant information prepared and submitted in the Indiana Gateway for Government Units financial reporting system, which was the source of the SEFA. One employee prepared and submitted the grant information without an oversight or review process to detect and correct errors before submission.

Context

The SEFA contained the following errors:

1. The School Breakfast Program expenditures were understated by \$803.
2. The National School Lunch Program expenditures were understated by \$3,117. Included in the understatement was the omission of commodities.
3. The Crime Victim Assistance expenditures were understated by \$30,367.
4. The Drug Court Discretionary Grant Program expenditures were overstated by \$29.
5. The Violence Against Women Formula Grants expenditures were understated by \$350.
6. The Bulletproof Vest Partnership Program was included when no funds were expended, causing an overstatement of \$3,608.
7. The Edward Byrne Memorial Justice Assistance Grant Program expenditures were understated by \$26,210.
8. The Highway Planning and Construction Cluster expenditures were overstated by \$165,315.
9. The Highway Safety Cluster expenditures were understated by \$11,635.
10. The Alcohol Impaired Driving Countermeasures Incentive Grants I expenditures were overstated by \$2,835.
11. The Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements expenditures were overstated by \$5,835.

COUNTY AUDITOR
GRANT COUNTY
FEDERAL FINDINGS
(Continued)

12. The Child Support Enforcement expenditures were overstated by \$31,375.
13. The State Court Improvement Program expenditures were understated by \$5,526.
14. The Voting Access for Individuals with Disabilities - Grants to States was excluded, causing an understatement of \$11,400.
15. The Emergency Management Performance Grants expenditures were understated by \$3,816.
16. The Homeland Security Grant Program expenditures were overstated by \$46,225.
17. Not all CFDA numbers, program names, grants, and identifying numbers were correct or listed.

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:

COUNTY AUDITOR
GRANT COUNTY
FEDERAL FINDINGS
(Continued)

- (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.

COUNTY AUDITOR
GRANT COUNTY
FEDERAL FINDINGS
(Continued)

FINDING 2016-002

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

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-002.

Condition

There were several deficiencies in the internal control system of the County Auditor's office related to the financial statement.

The financial information was prepared and electronically submitted through the Indiana Gateway for Government Units financial reporting system without an oversight or review process to prevent, or detect and correct, errors on the financial statement. The County did not have procedures in place to ensure that the financial information recorded and reported was accurate and complete.

Context

The lack of controls and noncompliance were systemic issues that occurred throughout the audit period. The financial statement contained multiple reporting errors as follows:

- Three funds were not reported from the Annual Financial Report.
- Thirteen fund balances were incorrectly reported at January 1, 2016. The fund balances differed from the December 31, 2015 balances in the amount of \$2,874,693.
- Forty funds reported receipts totaling \$6,880,706 less than audited totals.
- Forty-seven funds reported disbursements totaling \$7,310,220 less than audited totals.

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

Context

The lack of internal controls and noncompliance were systemic problems 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:

COUNTY AUDITOR
GRANT 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. . . ."

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

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

Cause

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

Effect

The failure to establish and properly implement controls enabled misstatements to remain undetected.

Recommendation

We recommended that the County establish a system of internal controls related to the financial statement.

Views of Responsible Officials

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

FINDING 2016-003

Subject: Internal Controls over Financial Transactions and Reporting - Payroll Disbursements
Audit Finding: Material Weakness

Condition

There was a deficiency in the internal control system of the County Auditor's and Board of County Commissioners' offices related to payroll disbursements.

COUNTY AUDITOR
GRANT COUNTY
FEDERAL FINDINGS
(Continued)

The established internal control over payroll transactions was that the Board of County Commissioners (Commissioners) would review and approve payroll vouchers. However, it was discovered that the Commissioners did not actually review and approve the vouchers. The vouchers included signatures stamped by the Commissioners' administrative assistant. Also, detailed approvals were not documented in the Board minutes.

Context

The lack of properly implemented controls over the payroll disbursements 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:

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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 related to payroll disbursements.

Effect

The failure to establish controls could have enabled material 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 will prevent, or detect and correct, material misstatements in a timely manner.

Recommendation

We recommended that management of the County establish controls, including segregation of duties, related to payroll disbursements.

Views of Responsible Officials

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

Roger A. Bainbridge
Grant County Auditor
Grant County Complex
401 S. Adams St., Room 222
Marion, IN 46953-2099

Phone: 765-668-6552

E-mail: grantcountyauditor@gmail.com

FAX: 765-668-6582

CORRECTIVE ACTION PLAN

Finding 2016-001

Contact Person Responsible for Corrective Action: Angie Jarvis, Grant County Chief Deputy Auditor


Contact Phone Number: 765-668-6552

We concur with the finding

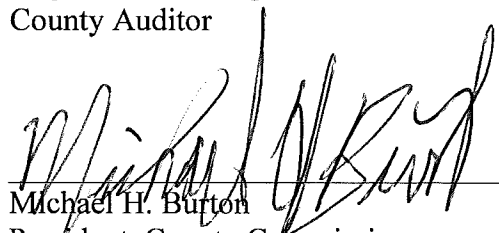
Description of Corrective Action Plan:

The Chief Deputy Auditor, Angie Jarvis, is now assuming oversight for grants and is working on a new worksheet to reconcile with the Schedule of Expenditures of Federal Awards which will eliminate the errors which have been occurring. Each entry on the Schedule will be confirmed that it contains the correct items and expenditure amounts whenever there is an Annual Report entered into Gateway. That worksheet will be available to the Indiana State Board of Accounts for the next annual audit.

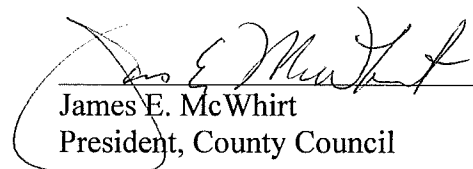
Anticipated Completion Date: March 1, 2019



Roger A. Bainbridge
County Auditor



Michael H. Burton
President, County Commissioners



James E. McWhirt
President, County Council

Dated: November 29, 2018

Roger A. Bainbridge
Grant County Auditor
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Marion, IN 46953-2099

Phone: 765-668-6552

E-mail: grantcountyauditor@gmail.com

FAX: 765-668-6582

CORRECTIVE ACTION PLAN

Finding 2016-002

Contact Person Responsible for Corrective Action: Angie Jarvis, Grant County Chief Deputy Auditor

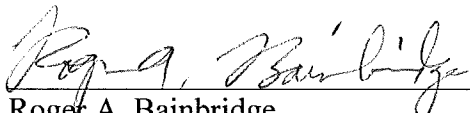
Contact Phone Number: 765-668-6552

We concur with the finding

Description of Corrective Action Plan:

The person responsible for the 2016 Annual Report/Financial Statement is no longer in the Auditor's Office. The current Chief Deputy Auditor, Angie Jarvis, has corrected the 2016 document on Gateway and there are now procedures in place to prevent errors in the future.

Anticipated Completion Date: November 29, 2018



Roger A. Bainbridge
County Auditor



Michael H. Burton
President, County Commissioners



James E. McWhirt
President, County Council

Dated: November 29, 2018

Roger A. Bainbridge
Grant County Auditor
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CORRECTIVE ACTION PLAN

Finding 2016-003

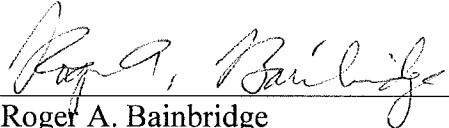
Contact Person Responsible for Corrective Action: Roger Bainbridge, Grant County Auditor
Contact Phone Number: 765-668-6552

We concur with the finding

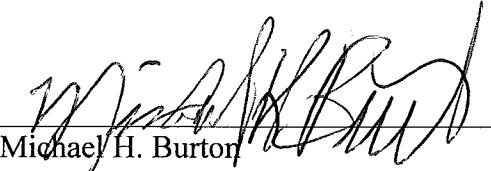
Description of Corrective Action Plan:

The President of the Grant County Commissioners is now required to approve the gross payroll amount, which coincides with the total of all individual department payroll reports, as well as the total shown on the labor distribution report, before the Auditor's Office sends the payroll file to the bank for credits into employees' bank accounts.

Anticipated Completion Date: November 30, 2018



Roger A. Bainbridge
County Auditor



Michael H. Burton
President, County Commissioners



James E. McWhirt
President, County Council

Dated: November 29, 2018

COUNTY AUDITOR
GRANT COUNTY
AUDIT RESULTS AND COMMENTS

CONDITION OF RECORDS - TRUST FUNDS

A similar comment also appeared in prior Report B48498, entitled *CONDITION OF RECORDS - TRUST FUNDS*.

Financial records presented for audit were incomplete and not reflective of the activity of the Tax Certificate Sale, Tax Sale Redemption, and Tax Sale Surplus funds. The records presented did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

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 responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

INTERNAL CONTROLS - PAYROLL

A similar comment also appeared in prior Report B48498, entitled *INTERNAL CONTROLS - PAYROLL*.

On July 28, 2016, the Payroll Deputy wrote a payroll check to herself in the amount of \$874 in advance of the regular payroll pay date. The pay date for that pay period was July 29, 2016. The check was signed with the County Auditor's signature stamp without his approval.

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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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. . . ."

COUNTY AUDITOR
GRANT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 29, 2018, with Roger A. Bainbridge, County Auditor; Angie Jarvis, Chief Deputy County Auditor; Michael H. Burton, President of the Board of County Commissioners; James E. McWhirt, President of the County Council; Mike Roorbach, County Council member; and Shane Middlesworth, County Council member.

COUNTY TREASURER
GRANT COUNTY

COUNTY TREASURER
GRANT COUNTY
FEDERAL FINDING

FINDING 2016-004

Subject: Financial Transactions and Reporting - Bank Account Reconciliations
Audit Finding: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-002.

Condition

There were several deficiencies in the internal control system of the County Treasurer's office related to bank account reconciliations.

Depository reconciliations of the fund balances to the bank account balances were attempted, but not completed for any month during the audit period. As of December 31, 2016, the difference between the adjusted bank balance and County Auditor's Fund Ledger indicated a cash short of \$92,203, which was determined to be immaterial to the financial statement as a whole. Outstanding checks listed on the outstanding check report dated as far back as April 20, 2001.

Context

The lack of internal controls and noncompliance were systemic problems 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:

COUNTY TREASURER
GRANT COUNTY
FEDERAL FINDING
(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. . . ."

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.

Effect

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

Recommendation

We recommended that the County establish a system of internal controls related to bank account reconciliations.

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 2016-004

Contact Person Responsible for Corrective Action: Tiffany Griffith
Contact Person Number: 765-668-6556

Grant County
Treasurer's Office

Tiffany Griffith
Treasurer

Views of Responsible Official:

We concur with the State Board of Accounts field examiners and their findings in the 2016 audit.

Description of Corrective Action Plan:

Following the conclusion of the 2016 audit, the Treasurer's office is confident that with daily communication with the Auditor's office, verifying all information is received, balancing to the funds ledger and completion of the bank reconciliation will help to prevent any future deficiencies. Immediate implementation of utilizing all resources and internal controls will allow for timely monthly financial report submissions. Factors contributing to the lack of timely submissions of financial information have been assessed and corrective actions have been taken to strengthen the areas of weakness. These actions involve having proper segregation of duties, adhering to internal controls put in place to remove opportunity, provide cross-training in all areas to all team members, complete a two-person review process for financial reports, and verify all data entry is accurate.

Anticipated Completion Date: Immediately


(Signature)

Treasurer
(Title)

November 27, 2018
(Date)

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tgriffith@grantcounty.net
www.grantcounty.net

COUNTY TREASURER
GRANT COUNTY
AUDIT RESULTS AND COMMENTS

MONTHLY FINANCIAL REPORT (FORM 47TR)

A similar comment also appeared in prior Report B48498, entitled *MONTHLY FINANCIAL REPORT (FORM 47TR)*.

The County Treasurer's Monthly Financial Report (Form 47TR) is to be prepared by the 16th day of the following month. The reports for January 2016 through May 2016 were filed on February 24, 2017, and reports for June 2016 through December 2016 were filed on March 3, 2017.

Indiana Code 36-2-10-16(a) states in part: "Before the sixteenth day of each month, the treasurer shall prepare a report showing, as of the close of business on the last day of the preceding month, the following items . . ."

On or before the 16th day of each month the treasurer shall prepare a report showing the financial condition of the office as of the close of business on the last day of the preceding month.

This report shall show the amounts with which the treasurer is chargeable for the various funds and accounts, the amounts with which the treasurer is credited for money on deposit, invested and cash on hand, and any long or short at the close of each month. The report also provides space for reconciliation with depositories.

The report shall be prepared in quadruplicate and each copy shall be verified by certificate of the treasurer. The treasurer shall retain one copy as a public record in the office and three copies shall be filed with the county auditor. The county auditor shall file the original of said reports with the records of the county board of finance, one copy shall be presented to the board of county commissioners at its next regular meeting, and the county auditor shall immediately transmit one copy to the State Board of Accounts. [IC 36-2-9-11 and 36-2-10-16] (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 5)

CONDITION OF RECORDS - CASH BOOK

A similar comment also appeared in prior Report B48498, entitled *CONDITION OF RECORDS - CASH BOOK*.

Financial records presented for audit were incomplete and not reflective of the activity of the County Treasurer's Daily Balance of Cash and Depositories (Cash Book) (Form 47). The following audit adjustments were proposed, accepted by the County Treasurer, and made to the Cash Book.

1. On January 4, 2016, an erroneous disbursement, in the amount of \$583,033, was posted to the Cash Book.
2. Several errors or untimely postings were found while reviewing the monthly bank reconciliations. One example of this situation was a deposit from an electronic funds transfer was posted to the records 240 days after deposit.

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 County Treasurers of Indiana, Chapter 1)

COUNTY TREASURER
GRANT COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

PERSONAL CHECKS SUBSTITUTED FOR CASH

A similar comment also appeared in prior Report B48498, entitled *PERSONAL CHECKS SUBSTITUTED FOR CASH*.

Peggy Dickerson (Dickerson) was employed in the County Treasurer's office as Chief Deputy County Treasurer from August 1, 2012 to January 8, 2016. Dickerson's primary duties as Chief Deputy County Treasurer included reviewing bank deposits, taking deposits to the bank, reconciling bank accounts, and working with the County's financial accounting system.

On four occasions during 2015, Dickerson removed cash from the daily cash bank deposits for the County Treasurer's office and substituted her personal check. On each occasion Dickerson's personal check was returned by the bank for insufficient funds (NSF). The substituted NSF checks totaled \$9,561.72.

On January 8, 2016, Dickerson became the First Deputy County Treasurer in the County Treasurer's office until her resignation on May 27, 2016. Dickerson's primary duties as First Deputy County Treasurer were collecting and recording property tax payments, balancing the cash drawers, and preparing daily collection reports and bank deposits.

Prior to the spring 2016 due date, the County received duplicate tax payments on two parcels of property. These duplicate payments were not reported to the County Auditor as surplus tax on the affected parcels. On May 11, 2016, Dickerson removed cash receipts from the daily bank deposit for the County Treasurer's office and replaced the cash with the duplicate tax payments/checks. In order to make the Pay Method Summary on the Drawer Balance Listing agree with the composition of the deposit, Dickerson recorded the method of Payment received on three parcels from one taxpayer as partially check and partially cash. The total Property Tax Checks substitution for cash was \$1,634.12.

A special investigation was performed by the Indiana State Board of Accounts. For further details, see the Special Investigation Report B48096 found on the Indiana State Board of Accounts' website: <http://www.in.gov.sboa/>.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

COUNTY TREASURER
GRANT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 29, 2018, with Tiffany N. Griffith, County Treasurer; Michael H. Burton, President of the Board of County Commissioners; James E. McWhirt, President of the County Council, Mike Roorbach, County Council member; and Shane Middlesworth, County Council member.

The contents of this report were discussed, via telephone, on November 29, 2018, with Sarah A. Melford, former County Treasurer.

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COUNTY SHERIFF
GRANT COUNTY

COUNTY SHERIFF
GRANT COUNTY
AUDIT RESULTS AND COMMENTS

JEAN (JOINT EFFORT AGAINST NARCOTICS) TEAM FUND

A similar comment appeared in prior Report B48498, entitled *JEAN (JOINT EFFORT AGAINST NARCOTICS) TEAM FUND*.

The JEAN Team fund is maintained by the County Sheriff's Department rather than by the County Auditor. The JEAN Team fund is used to supplement the JEAN Team's federal grant budget.

Indiana Code 36-2-10-9 states: "The treasurer shall receive money to which the county is entitled and shall disburse it on warrants issued and attested by the county auditor."

Indiana Code 36-2-9-12 states:

"The auditor shall keep an accurate account current with the county treasurer. Whenever a receipt given by the treasurer for money paid into the county treasury is deposited with the auditor, the auditor shall:

- (1) file the treasurer's receipt;
- (2) charge the treasurer with the amount of the treasurer's receipt; and
- (3) issue the auditor's own receipt to the person presenting the treasurer's receipt."

Indiana Code 36-2-7-15, Indiana Code 36-8-10-22, and Indiana Code 36-8-10-21 provide statutory authority for the establishment of the Sheriff's Cashbook, Inmate Trust Fund and the Commissary Fund, respectively. These are the only two funds specifically authorized to be held by the County Sheriff outside the Office of the County Auditor.

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

CONDITION OF RECORDS - SHERIFF COMMISSARY

A similar comment appeared in prior Report B48498, entitled *CONDITION OF RECORDS - SHERIFF COMMISSARY*.

Financial records presented for audit were incomplete and not reflective of the activity of the Sheriff Commissary fund. At December 31, 2016, Certificate of Deposits in the amount of \$150,000 were not posted to the Sheriff Commissary fund. Additionally, interest earned on the investment was automatically added to the principal and not recorded in the records of the Sheriff Commissary fund. As of December 31, 2016, the amount added to the principal but not posted to the ledger was \$3,602.

Interest on investments should not be added automatically to the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY SHERIFF
GRANT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 29, 2018, with Reggial E. Nevels, Sr., County Sheriff; Tim Holtzleiter, Chief Deputy County Sheriff; Sandie Graf, Matron; Kathi Baker, County Sheriff Sale Clerk; Valisha K. Cragun, Investigative Analyst; Michael H. Burton, President of the Board of County Commissioners; James E. McWhirt, President of the County Council; Mike Roorbach, County Council member; and Shane Middlesworth, County Council member.

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BOARD OF COUNTY COMMISSIONERS
GRANT COUNTY

BOARD OF COUNTY COMMISSIONERS
GRANT COUNTY
FEDERAL FINDING

FINDING 2016-003

Subject: Internal Controls over Financial Transactions and Reporting - Payroll Disbursements
Audit Finding: Material Weakness

Condition

There was a deficiency in the internal control system of the County Auditor's and Board of County Commissioners' offices related to payroll disbursements.

The established internal control over payroll transactions was that the Board of County Commissioners (Commissioners) would review and approve payroll vouchers. However, it was discovered that the Commissioners did not actually review and approve the vouchers. The vouchers included signatures stamped by the Commissioners' administrative assistant. Also, detailed approvals were not documented in the Board minutes.

Context

The lack of properly implemented controls over the payroll disbursements 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.

BOARD OF COUNTY COMMISSIONERS
GRANT COUNTY
FEDERAL FINDING
(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 related to payroll disbursements.

Effect

The failure to establish controls could have enabled material 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 will prevent, or detect and correct, material misstatements in a timely manner.

Recommendation

We recommended that management of the County establish controls, including segregation of duties, related to payroll disbursements.

Views of Responsible Officials

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



November 29, 2018

Finding – 2016-003

Contact Person: Michael H Burton
President, Grant County Commissioners
Phone Number: 765-651-2406

Grant County Commissioners

John Lawson
District 1

Views of Responsible Official:

We concur with the State Board Of Accounts finding.

Mark E. Bardsley
District 2

Description:

The Grant County Commissioners have received the 2016 finding and will begin the following correction with our next payroll dated November 30, 2018:

Mike Burton
District 3

- 1) The Commissioners will sign off on the Docket Sheets for Payroll.
- 2) The Commissioners will include the total amount of the Payroll in the Minutes of each meeting.
- 3) The Commissioners will attach the Payroll Docket to the Commissioner Minutes for each Payroll.

401 S. Adams Street
Marion, IN 46953
phone: 765.668.4776
Fax: 765.668.4780
www.grantcounty.net

Anticipated Completion Date:

Immediately.

Sincerely,

Michael H Burton
Commissioner, President

BOARD OF COUNTY COMMISSIONERS
GRANT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 29, 2018, with Michael H. Burton, President of the Board of County Commissioners; James E. McWhirt, President of the County Council; Mike Roorbach, County Council member; and Shane Middlesworth, County Council member.

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COUNTY PROSECUTING ATTORNEY
GRANT COUNTY

COUNTY PROSECUTING ATTORNEY
GRANT COUNTY
FEDERAL FINDING

FINDING 2016-005

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): FY 2016
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 Prosecuting Attorney's (Prosecutor) office in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The Prosecutor did not comply with the allowable costs requirement for time and effort reporting for amounts paid from the Prosecutor's Incentive fund. Seven employees in the Prosecutor's office did not have documentation for time spent on child support program activities. These errors resulted in questioned costs of \$49,534.

Context

The lack of controls and the noncompliance were systemic issues 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:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (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. . . .

COUNTY PROSECUTING ATTORNEY
GRANT COUNTY
FEDERAL FINDING
(Continued)

(d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost. . . .

(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); . . .
- (iv) 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. . . ."

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. . . ."

Cause

The County had not developed a system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected.

Questioned Costs

Known questioned costs of \$49,534 were identified as detailed in the *Condition*.

COUNTY PROSECUTING ATTORNEY
GRANT COUNTY
FEDERAL FINDING
(Continued)

Recommendation

We recommended that the County's management establish controls to ensure compliance and comply with 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.



OFFICE OF THE PROSECUTING ATTORNEY

James D. Luttrull Jr.
48th Judicial Circuit
Grant County, Indiana

101 East Fourth Street
Courthouse Rm 107
Marion, Indiana 46952

Telephone: 765.664.0739
Fax: 765.668.6580

CORRECTIVE ACTION PLAN

FINDING 2016-005 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: **James Luttrull Jr.**
Contact Phone Number: **765-664-0739**

Views of Responsible Official: **I concur with the finding.**

Description of Corrective Action Plan: **Weekly time-sheets will be prepared and signed and internal controls will be put in place.**

Anticipated Completion Date: **1/31/2017**

James Luttrull Jr.
(Contact Person Responsible)

Grant County Prosecuting Attorney
(Title)

November 19, 2018
(Date)

COUNTY PROSECUTING ATTORNEY
GRANT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 29, 2018, with James D. Luttrull, Jr., County Prosecuting Attorney; Michael H. Burton, President of the Board of County Commissioners; James E. McWhirt, President of the County Council; Mike Roorbach, County Council member; and Shane Middlesworth, County Council member.