

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

JENNINGS COUNTY, INDIANA

January 1, 2016 to December 31, 2016



**FILED**  
01/11/2019



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Kay S. Vance	01-01-15 to 12-31-18
County Treasurer	Sandra L. Vance Kathryn Shepherd	01-01-13 to 12-31-16 01-01-17 to 12-31-20
Clerk of the Circuit Court	Mary Dorsett Kilgore	01-01-15 to 12-31-18
County Sheriff	Gary M. Driver	01-01-15 to 12-31-18
County Recorder	Janice L. Ramey	01-01-15 to 12-31-18
President of the Board of County Commissioners	Matt Sporleder	01-01-16 to 12-31-18
President of the County Council	Howard L. Malcomb	01-01-16 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF JENNINGS COUNTY, INDIANA

This report is supplemental to our audit report of Jennings 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/](http://www.in.gov/sboa/).

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

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

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

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

November 19, 2018

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COUNTY AUDITOR  
JENNINGS COUNTY

COUNTY AUDITOR  
JENNINGS COUNTY  
FEDERAL FINDING

***FINDING 2016-001***

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

*Condition*

There were several deficiencies in the internal control system of the County Auditor related to financial transactions and reporting. There was a lack of segregation of duties, as the County Auditor had not separated incompatible activities related to receipts, disbursements, and financial reporting, including the Schedule of Expenditures of Federal Awards (SEFA).

*Receipts*

The County Auditor had not designed or implemented controls, including segregation of duties, related to receipts to ensure that all receipts were posted to the ledger. Reconcilements were not made between the Treasurer's Monthly Financial Statement, Form 61, and the County Auditor's Monthly Financial Statement, Form 61 for the audit period.

*Disbursements*

The County Auditor had not designed or implemented controls, including segregation of duties, over disbursements to ensure the accuracy of payroll disbursements. The Payroll Clerk processed, posted, and distributed payroll without a documented oversight, review, or approval process.

*Financial Reporting - Financial Statement*

The County Auditor had not designed or implemented controls, including segregation of duties, to ensure the accuracy of the financial statement. The County Auditor entered the County's financial information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the financial statement. The process was completed without a documented oversight, review, or approval process prior to submission.

*Financial Reporting - SEFA*

The County Auditor had not designed or implemented controls, including segregation of duties, to ensure the accuracy of the SEFA. Federal grant information was prepared and submitted in Gateway without a documented oversight, review, or approval process to ensure the federal grant information was accurate prior to submission.

*Context*

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

COUNTY AUDITOR  
JENNINGS COUNTY  
FEDERAL FINDING  
(Continued)

*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 County had not established a proper system of internal controls 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 Auditor establish a system of internal controls, including segregation of duties, related to financial transactions and reporting.

*Views of Responsible Officials*

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



Jennings County Government Center  
200 East Brown Street, Vernon, IN 47282

*Kay S Vance*  
Auditor of Jennings County  
200 East Brown Street  
P.O. Box 383  
Vernon, IN 47282  
Phone: (812) 352-3021 Fax: (812) 352-3032

**Corrective Action Plan**

**Fiscal Year of Finding 2016 Financial Statement Findings**

Contact Person: Kay S. Vance

Contact Phone: 812-352-3021

Views of Responsible Official: I concur with the finding.

Finding 2016 – 001

**Financial Transactions and Reporting**

Going forward in 2019 the Auditor will print out the information in Gateway and have someone initial off that the information is correctly put in Gateway.

**Receipts**

The monthly comparison report is now being initialed off by one deputy in the Auditor’s office and one deputy in the Treasurer’s office. This was implemented in 2017.

**Disbursements**

The Payroll Deputy will have another person initial off that the information processed is correct by initialing the reports. This was implemented in 2017.

**Schedule of Federal Awards**

Grant information put into Gateway will be printed out and checked and initialed off by another person in the office beginning 2019.

*Kay Sue Vance*  
\_\_\_\_\_  
Kay Sue Vance

*Auditor*  
\_\_\_\_\_  
Title

*11-19-18*  
\_\_\_\_\_  
Date

COUNTY AUDITOR  
JENNINGS COUNTY  
AUDIT RESULTS AND COMMENTS

**APPROPRIATIONS**

The disbursements from the following funds exceeded the budgeted appropriations for 2016.

<u>Fund</u>	<u>Excess Amount Expended</u>
County General	\$ 23,544
Cumulative Bridge	32,657
2013 RDC TIF Bond Debt Service	408

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

**OVERDRAWN CASH BALANCES**

The same comment also appeared in the prior Report B51706.

The financial statement presented in the Financial Statement and Federal Single Audit Report for the County included the following funds with overdrawn cash balances at December 31, 2016.

<u>Fund</u>	<u>Amount Overdrawn</u>
Animal Control	\$ 134,188
CAGIT County Certified Shares	75,192
Identity Theft Protection	6
Tax Sale Costs	1,222
Payroll FICA	16,871

COUNTY AUDITOR  
JENNINGS COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Fund	Amount Overdrawn
Payroll State Tax Withholding	\$ 28,245
SC Garnishee Service Fee	680
Settlement	432,713
Court Security	50,136
North Vernon Sewer	2,957
Payroll - AFLAC	48

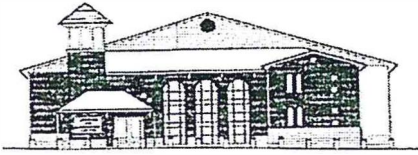
The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

***RECONCILIATION OF COUNTY TREASURER'S MONTHLY FINANCIAL STATEMENT  
AND COUNTY AUDITOR'S MONTHLY FINANCIAL STATEMENT***

The same comment also appeared in the prior Report B51706.

Reconcilements were not made between the County Treasurer's Monthly Financial Statement, Form 61, and the County Auditor's Monthly Financial Statement, Form 61 for the audit period.

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 Auditors of Indiana, Chapter 1)



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November 27, 2018

Official Response for Examination Period 1/1/16 to 12/31/16

In 2016 we were starting to have a better understanding of things and started asking questions and talking more and more with the SBOA for guidance and verification of procedures. We still had negative cash balances that we tried to find out why and did find some postings that were incorrect. We did start some cross training then and implementing internal controls.

Some funds were found to be negative because there were disbursements being made but no receipts were being posted. This has been addressed and in the process of being resolved. Monthly comparison reports are being done and we do balance with the Treasurer and a person from the Auditor's office and the Treasurer's office is signing off on the report. In the future the funds report will be given to the Commissioners and Council at their monthly meetings for review.

Thank you.

*Kay Sue Vance*  
*Jennings Co. Auditor*

COUNTY AUDITOR  
JENNINGS COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 19, 2018, with Kay S. Vance, County Auditor; Matt Sporleder, President of the Board of County Commissioners; and Dave Woodall, Vice President of the County Council.

CLERK OF THE CIRCUIT COURT  
JENNINGS COUNTY

CLERK OF THE CIRCUIT COURT  
JENNINGS COUNTY  
FEDERAL FINDING

***FINDING 2016-002***

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

*Condition*

There were several deficiencies in the internal control system of the Clerk of the Circuit Court (Clerk) related to financial transactions and reporting. There was a lack of segregation of duties, as the Clerk had not separated incompatible activities related to cash and investments, receipts, disbursements, and financial reporting.

*Cash and Investments*

The Clerk had not designed or implemented controls, including segregation of duties, to ensure the accuracy of the cash and investments balance. During the audit period, no reconciliations of the bank statement balances to the Clerk's ledger or accounting software balances were prepared.

*Receipts*

The Clerk had not separated incompatible activities to ensure the accuracy of the receipts. One employee received money, issued official receipts, prepared bank deposits, posted receipts, approved adjustments, and was responsible for preparing bank reconciliations. The process was completed without a documented oversight, review, or approval process.

*Disbursements*

The Clerk had not designed or implemented controls, including segregation of duties, related to disbursements. One employee prepared, processed, and distributed checks for the Trust. The process was completed without a documented oversight, review, or approval process to ensure the accuracy of the disbursements.

*Financial Reporting*

The Clerk prepared and submitted the Supplemental CAR-1 report, which was the source of the Clerk's Trust fund on the financial statement, without a documented oversight, review, or approval process to ensure the financial information was accurate prior to submission.

*Context*

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

CLERK OF THE CIRCUIT COURT  
JENNINGS COUNTY  
FEDERAL FINDING  
(Continued)

*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 had not established a proper system of internal control that segregated key functions.

*Effect*

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

*Recommendation*

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

*Views of Responsible Officials*

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



MARY DORSETT KILGORE  
JENNINGS COUNTY CLERK OF THE CIRCUIT & SUPERIOR COURTS

Corrective Action Plan  
Finding 2016-002

Contact Person Responsible for Corrective Action: Mary Dorsett Kilgore  
Contact Phone Number: 812-352-3073

Finding: Financial Transaction and Reporting - the Clerk of the Circuit Court prepared and submitted the Supplemental CAR-1 report, which was the source of the Clerk's Trust on the financial statement; however, the process was completed without a documented oversight, review or approval process, or other compensating control in place to ensure that information was submitted accurately.

Corrective Plan: CAR-1, staff will review and add documentation of such by adding signature to the Clerk's.

Finding: Cash and Investments - the Clerk of the Circuit Court had not designed or implemented effective controls over cash and investments to prevent or detect and correct, material misstatements. From January 1, 2016 through December 31, 2016 no bank reconciliations of the bank statement balances to the Clerk's ledger or accounting software balance were prepared.

Corrective Plan: Original bank account "MHI" added to Odyssey case management system. Two staff will prepare, review, and document by signing.

Finding: Receipts - the Clerk of the Circuit Court had not separated incompatible activities related to cash and investments and receipts. One employee received money, issued official receipts, prepared bank deposits, posted receipts, approved adjustments, and is responsible for preparing bank reconciliation. The process was completed without a documented oversight, review or approval process, or other compensating control in place to ensure accuracy.

Corrective Plan: Daily Report of Collections will be signed by preparer and reviewer.

Finding: Disbursements the Clerk of the Circuit Court had not designed or implemented effective controls related to disbursements. One employee prepares, processes, and distributes checks for the ISETS trust. The process was completed without a documented oversight, review, or approval process, or other compensating control in place to ensure accuracy.

Corrective Plan: One staff will print Check report and sign, and one staff will review & verify to check register for Odyssey & ISETS by signing.

Respectfully Submitted,

 November 15, 2018  
Mary Dorsett Kilgore  
Jennings County Clerk of Circuit & Superior Court

Jennings County Clerk  
25 Pike Street  
Box 385  
Vernon, IN 47282  
812-352-3070

CLERK OF THE CIRCUIT COURT  
JENNINGS COUNTY  
AUDIT RESULT AND COMMENT

***BANK RECONCILIATIONS***

The same comment also appeared in the prior Report B51706.

There was a lack of internal controls over the recording of transactions to the Clerk of the Circuit Court's ledger and the depository reconciliations of the fund balances to the bank account balances. From January 1, 2016 through December 31, 2016, no bank reconciliations of the bank statement balances to the Clerk of the Circuit Court's ledger or accounting software balances were prepared.

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."

CLERK OF THE CIRCUIT COURT  
JENNINGS COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 15, 2018, with Mary Dorsett Kilgore, Clerk of the Circuit Court.

COUNTY TREASURER  
JENNINGS COUNTY

COUNTY TREASURER  
JENNINGS COUNTY  
FEDERAL FINDING

***FINDING 2016-003***

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

*Condition*

There were several deficiencies in the internal control system of the County Treasurer related to financial transactions and reporting. There was a lack of segregation of duties, as the County Treasurer had not separated incompatible activities related to cash and investments, receipts, and financial reporting.

*Cash and Investments*

The County Treasurer had not designed or implemented controls, including segregation of duties, to ensure the accuracy of the cash and investment balances. During the audit period, no reconcilements of the bank statement balances to the County Treasurer's Daily Balance of Cash and Depositories (Cash Book) balances were prepared.

*Receipts*

The County Treasurer had not designed or implemented controls, including segregation of duties, related to receipts. One employee was responsible for preparing the daily deposits, daily Cash Book postings, and reconciling the Cash Book to the County Treasurer's funds ledger. The process was completed without a documented oversight, review, or approval process to ensure the accuracy of the receipts.

*Financial Reporting*

The County Treasurer prepared and submitted the Supplemental CAR-1 report, which was the source of the County Treasurer's Cashbook fund on the financial statement, without a documented oversight, review, or approval process to ensure the accuracy of the report prior to submission.

*Context*

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

COUNTY TREASURER  
JENNINGS COUNTY  
FEDERAL FINDING  
(Continued)

*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 had not established a proper system of internal control that segregated key functions.

*Effect*

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

*Recommendation*

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

*Views of Responsible Officials*

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



## *Jennings County Treasurer's Office*

*Kitty Shepherd, Treasurer*

200 E. Brown Street, Vernon, IN 47282  
(812) 352-3060 Fax: 812 352-3064  
Email: [kshepherd@jenningscounty-in.gov](mailto:kshepherd@jenningscounty-in.gov)

### **CORRECTIVE ACTION PLAN**

#### **FINDING 2016-003**

Subject: Financial Transactions and Reporting – Treasurer  
Audit Findings: Material Weakness, Other Matters

Contact Person Responsible for Corrective Action: Kitty Shepherd, Treasurer  
Contact Phone Number: (812) 352-3060

Views of responsible official; we concur with the finding.

It should be noted that in 2016 I was not the office holder and I am reporting on the procedures in place since taking office in 2017. The following is a summary of how our office currently performs these duties.

1. Financial Transactions and Reporting : In preparing the CAR-1 Report the information is pulled using the LOW System by the Chief Deputy Treasurer and inputted into the CAR - 1 Report. Once the report is completed by the Chief Deputy the report and supporting documentation is given to the Treasurer for review and signature. The Treasurer then submits the reviewed and signed CAR-1 Report to the Auditor.
2. Cash and Investments: Chief Deputy currently reconciles daily. (In 2017, the accounts were reconciled with the banks monthly.) These are included in the daily paperwork where the Treasurer reviews, approves and initials each bank account. The Monthly Treasurer's Report is filed monthly with SBOA, Jennings County Council and Jennings County Commissioners. A report is also filed in our daily work box for the month and in a separate file in the treasurer's office.
3. Receipts: The Chief Deputy and Deputy receipt the money. The Chief Deputy and Deputy review the receipting paperwork in their daily work. The Treasurer has the final approval and signs off on Finalized paperwork.

*Kitty Shepherd*  
\_\_\_\_\_  
(Signature)

*Treasurer*  
\_\_\_\_\_  
(Title)

*11-19-18*  
\_\_\_\_\_  
(Date)

COUNTY TREASURER  
JENNINGS COUNTY  
AUDIT RESULTS AND COMMENTS

**CASH BOOK AND BANK RECONCILIATIONS**

The same comment also appeared in the prior Report B51706.

There was a lack of internal controls over the recording of transactions to the Cash Book and the depository reconciliations of the fund balances to the bank account balances. The following issues were identified:

1. Cash short or cash long entries were recorded in the Cash Book indicating a difference between the ending balance of the taxes, other sources, funds, and investments, when compared to the ending depository balances. Various cash short and cash long entries during the year did not include documentation of why these entries existed. The net effect of the cash short and cash long amount at December 31, 2016, was \$469,788. As of November 19, 2018, the cash short and cash long amount was \$0.
2. From January 1, 2016 through December 31, 2016, no reconcilements of the bank statement balances to the Treasurer's Daily Balance of Cash and Depositories (Cash Book) balances were prepared.

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

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

COUNTY TREASURER  
JENNINGS COUNTY  
AUDIT RESULTS AND COMMENTS  
(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. . . ."

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

Indiana Code 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."

***RECONCILIATION OF COUNTY TREASURER'S MONTHLY FINANCIAL STATEMENT  
AND COUNTY AUDITOR'S MONTHLY FINANCIAL STATEMENT***

The same comment also appeared in the prior Report B51706.

Reconcilements were not made between the County Treasurer's Monthly Financial Statement, Form 61, and the County Auditor's Monthly Financial Statement, Form 61 for the audit period.

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  
JENNINGS COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 19, 2018, with Kathryn Shepherd, County Treasurer; Matt Sporleder, President of the Board of County Commissioners; and Dave Woodall, Vice President of the County Council.

BOARD OF COUNTY COMMISSIONERS  
JENNINGS COUNTY

BOARD OF COUNTY COMMISSIONERS  
JENNINGS COUNTY  
FEDERAL FINDING

***FINDING 2016-004***

Subject: Community Development Block Grants/State's program and  
Non-Entitlement Grants in Hawaii - Subrecipient Monitoring  
Federal Agency: Department of Housing and Urban Development  
Federal Program: Community Development Block Grants/State's program  
and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): B15DC180001WW-13-102

Pass-Through Entity: Indiana Office of Community and Rural Affairs

Compliance Requirement: Subrecipient Monitoring

Audit Finding: Material Weakness

*Condition*

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

The County did not have controls in place to provide proper monitoring of the subrecipient to ensure that they complied with the suspension and debarment requirements. The County did not have controls in place to ensure that the subrecipient verified that the contractor for the project was not suspended or debarred from participation in federal programs.

*Context*

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

BOARD OF COUNTY COMMISSIONERS  
JENNINGS COUNTY  
FEDERAL FINDING  
(Continued)

2 CFR 200.331 states in part:

"All pass-through entities must: . . .

(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.  
. . ."

*Cause*

Management had not established a system of internal controls that would have ensured compliance with the subrecipient monitoring requirements.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the subrecipient monitoring requirements could have resulted in the loss of funds to the County.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the County's management establish a system of internal controls to ensure compliance and comply with the Subrecipient Monitoring compliance requirement.

*Views of Responsible Officials*

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

# Jennings County Commissioners

200 East Brown • P.O. Box 383 • Vernon, Indiana 47282  
(812) 352-3016 • Fax (812) 352-3032

## Corrective Action Plan

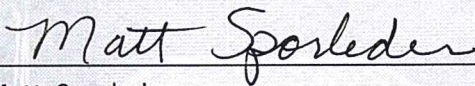
Contact Person: Matt Sporleder

Contact Phone: 812-592-5408

Finding 2016 - 004 Federal Award Findings and Questioned Costs

## Sub Recipient Monitoring

We will have the grant administrator attend the Commissioners meetings to give a report on sub recipient monitoring as it pertains to grants.



Matt Sporleder

Matt Sporleder

Commissioner President

Title

11/20/2018

Date

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BOARD OF COUNTY COMMISSIONERS  
JENNINGS COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 19, 2018, with Matt Sporleder, President of the Board of County Commissioners.