

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MONROE COUNTY, INDIANA

January 1, 2017 to December 31, 2017



**FILED**  
01/11/2019



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Catherine C. Smith	01-01-17 to 12-31-20
County Treasurer	Jessica McClellan	01-01-17 to 12-31-20
Clerk of the Circuit Court	Nicole Browne	01-01-15 to 12-31-18
County Sheriff	Brad Swain	01-01-15 to 12-31-18
President of the County Council	Ryan Cobine Shellie Yoder	01-01-17 to 12-31-17 01-01-18 to 12-31-18
President of the Board of County Commissioners	Julie Thomas Amanda Barge	01-01-17 to 12-31-17 01-01-18 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF MONROE COUNTY, INDIANA

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

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

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

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

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

November 26, 2018

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COUNTY AUDITOR  
MONROE COUNTY

COUNTY AUDITOR  
MONROE COUNTY  
FEDERAL FINDINGS

***FINDING 2017-001***

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 2016-001.

*Condition*

The County did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The grant information was entered into the Indiana Gateway for Government Units financial system, which is the source of the SEFA. The information submitted was reviewed by another employee prior to submission; however, the review did not detect the reporting errors.

*Context*

Due to lack of effective controls, the following errors occurred on the SEFA and were not detected or corrected:

1. The Crime Victim Assistance expenditures were understated by \$237.
2. The State Indoor Radon Grants expenditures were overstated by \$824.
3. The Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements expenditures were understated by \$824.
4. The Child Support Enforcement expenditures were overstated by \$23,866.
5. The Social Services Block Grant expenditures were overstated by \$207,470.
6. The HIV Prevention Activities-Health Department Based expenditures were overstated by \$86,146.
7. The Recreational Trails Program expenditures of \$3,400 were omitted.
8. The Interagency Hazardous Materials Public Sector Training and Planning Grants expenditures of \$3,680 were omitted.
9. The PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds expenditures of \$23,288 were omitted.
10. The HIV Care Formula Grants expenditures of \$87,048 were omitted.

COUNTY AUDITOR  
MONROE COUNTY  
FEDERAL FINDINGS  
(Continued)

11. The National Infrastructure Investments expenditures of \$246 were omitted.
12. Nonfederal expenditures of \$221,131 were included in error which overstated the SEFA.
13. Amounts passed through to subrecipients were understated by \$200,000.
14. Not all Federal Grantor Agencies, CFDA Numbers, and program titles were correct.

The errors resulted in a net \$420,713 overstatement of the federal expenditures on the SEFA. 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. . . .

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:

COUNTY AUDITOR  
MONROE 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 establish a system of internal controls to ensure that federal expenditures will be properly reported on 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  
MONROE COUNTY  
FEDERAL FINDINGS  
(Continued)

***FINDING 2017-002***

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. The prior audit finding number was 2016-002.

*Condition*

There were deficiencies in the internal control system of the County related to financial transactions and reporting. The financial transactions were entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which is the source for the Annual Financial Report (AFR) and the financial statement. The County's system of internal control was not effective to prevent, or detect and correct, errors on the AFR and financial statement. The information submitted was reviewed prior to submission; however, the review did not detect reporting errors.

In addition, the County had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the County to monitor and assess the quality of the system of internal control.

*Context*

The lack of effective controls allowed the following errors on the financial statement:

1. The financial information entered into Gateway contained receipts of \$442,715 that were deposited in the bank but not posted to the Treasurer's Cash Book until January 2018. The receipts were posted to the computerized accounting system funds ledger in January 2018 but backdated to December 2017. After the Treasurer posted the receipts in the Cash Book in 2018 the accounts agreed.
2. The Aviation Building fund made a \$125,000 transfer from the operating bank account to the savings bank account. The fund balance in the funds ledger was increased by \$125,000 in error.

*Criteria*

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

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

COUNTY AUDITOR  
MONROE COUNTY  
FEDERAL FINDINGS  
(Continued)

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

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

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. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

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 controls related to the preparation of the financial statement.

*Effect*

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

*Recommendation*

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



**CATHERINE C. SMITH**  
Monroe County Auditor

Courthouse, Room 209  
100 West Kirkwood Avenue  
Bloomington, IN 47404  
Office (812) 349-2510  
Fax (812) 349-2280

November 19, 2018

## CORRECTIVE ACTION PLAN

### ***FINDING 2017-001***

Contact Person Responsible for Corrective Action: Catherine Smith, Monroe County Auditor  
Contact Phone Number: 812.349.2515 (Direct Line)

#### **Views of Responsible Official:**

Monroe County continues to struggle with the form, fit and function of the SEFA and our ability to accurately report each and every grant completely on this important document.

*For grant financials starting in January 2018, grants have been tracked using an in-house designed database. This database is a stand-alone database and is only tracking Monroe County grants. This information is used to populate reporting fields on the SEFA. Our collective disconnect seems to be as the county receives grant money, there is sometimes confusion with categorizing, in general. An example of confusion would be--is the grant a direct award or is the pass-through agent the reporting mechanism? This confusion complicates our ability to correctly categorize the grants of the SEFA, resulting in over or understating receipts and expenditures. Understanding the CFDA number and how it merges into our funds and how it is reported on the SEFA is paramount to correctly reporting the exact picture of our grant position. The funds which are similar in nature, sometimes are simply becoming grouped incorrectly and miscategorized and subsequently misreported on the SEFA in the incorrect category.*

#### **Description of Corrective Action Plan:**

Our department will develop a one page summary of each SEFA reportable grant. The SEFA reporting requirements will be summarized on this document. Our department will work closely with the awarded Departments, County Commissioners and the County Attorneys to correctly identify all reportable SEFA attributes. The Federal Grants Management Guidelines will be used to identify SEFA requirements.

Anticipated completion date: 30 June 2019

Respectfully submitted,

*Catherine Smith*

Monroe County Auditor

November 19, 2018



**CATHERINE C. SMITH**  
Monroe County Auditor

Courthouse, Room 209  
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Bloomington, IN 47404  
Office (812) 349-2510  
Fax (812) 349-2280

November 19, 2018

### CORRECTIVE ACTION PLAN

#### **FINDING 2017-002**

Contact Person Responsible for Corrective Action: Catherine Smith, Monroe County Auditor  
Contact Phone Number: 812.349.2515 (Direct Line)

#### **Views of Responsible Official:**

There are two issues described in Context 1 regarding receipts that were backdated.

##### *Context 1-*

*Four receipts entered on January 3, 2018 were mistakenly entered with a date of December 29, 2017 and within a few hours voided and reentered with the correct date of January 3, 2018. Unfortunately, the LOW financial system will only timestamp a void when entered and they could not be backdated. The keying error was immediately identified and the receipts were reentered properly. Staff did not realize the error would create an imbalance for the Treasurer's books, but now recognizes voided receipts should be copied to the Treasurer's office as they occur. Further, the other incident identified in Context 1 was, in fact, a missed Quietus in December which was backdated in the process of closing the books for 2017 and creating a balanced AFR. 2017 was the first AFR completed by new Auditor financial staff and a learning experience with the direction of LOW.*

Context 2 identifies inaccurate gateway reporting within the Aviation Building fund.

##### *Context 2-*

*A transaction created for the purpose of a paper trail for the Treasurer's Office to move Aviation money from the Operating bank account to their Savings account in a different bank. The receipt and disbursement from the transaction was inappropriately reported on the Annual Financial Report in Gateway.*

**Description of Corrective Action Plan:**

Context 1-

The Auditor's office has corrected the errors identified and will not allow backdating of any financial transactions. To prevent this issue from reoccurring in the future, all financial transactions will be internally audited

Context 2-

The Annual Financial Report entry in Gateway was corrected on November 20, 2018. We will no longer report savings accounts as investments.

Anticipated completion date: Both items, Context 1 and 2, have been corrected.

Respectfully submitted,

*Catherine Smith*

Monroe County Auditor

November 19, 2018

COUNTY AUDITOR  
MONROE COUNTY  
AUDIT RESULT AND COMMENT

***CAPITAL ASSETS***

The same comment also appeared in prior Reports B47406 and B49223.

The County had not properly maintained a complete inventory of capital assets for several years. The capital assets records were not updated for additions and deletions for 2017.

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR  
MONROE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 26, 2018, with Catherine C. Smith, County Auditor; Lorie Robinson, First Financial Director; Jessica McClellan, County Treasurer; Brad Swain, County Sheriff; Amanda Barge, President of the Board of County Commissioners; Angie Purdie, County Commissioner's Administrator; Jeff Cockerill, County Attorney; and Geoff McKim, County Council member.

COUNTY SHERIFF  
MONROE COUNTY

COUNTY SHERIFF  
MONROE COUNTY  
AUDIT RESULT AND COMMENT

**CONDITION OF RECORDS**

Financial records presented for audit were incomplete and not reflective of the activity of the Jail Cash Bond Account fund and the Sheriff's Inmate Trust fund. The records presented included errors. Bank account balances, not the ledger balances, were reported in the Annual Financial Report and financial statement.

The records presented for audit did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy of the transactions of the Tax Warrant and Training accounts which are remitted to the County General fund monthly.

The accounting for the Tax Warrant and Training accounts included the following deficiencies:

1. An excel spreadsheet was presented for audit which contained daily activity but no totals or beginning or ending balances. It did not contain all receipts and disbursements that were recorded in the bank account.
2. Reconcilements of the bank balances to the ledger balances were not timely and contained errors.
3. Tax warrant bank account balances did not agree with the ledger balances due to prior year errors.

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

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

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."

COUNTY SHERIFF  
MONROE COUNTY  
EXIT CONFERENCE

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