

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

NOBLE COUNTY, INDIANA

January 1, 2017 to December 31, 2017



FILED
01/11/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
County Auditor:	
Federal Findings:	
Finding 2017-001	
Financial Transactions and Reporting	6-7
Finding 2017-002	
Preparation of the Schedule of Expenditures of Federal Awards	7-10
Corrective Action Plan	11
Audit Results and Comments:	
County Prescribed Chart of Accounts	12
Combined Funds	12
Exit Conference	13
Clerk of the Circuit Court:	
Audit Result and Comment:	
Supplemental Annual Financial Report.....	16
Exit Conference	17
County Sheriff:	
Audit Result and Comment:	
Supplemental Annual Financial Report.....	20
Exit Conference	21

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Tonya L. Jones	01-01-15 to 12-31-18
County Treasurer	Michele J. Bricker	01-01-17 to 12-31-20
Clerk of the Circuit Court	Michelle L. Mawhorter	01-01-17 to 12-31-20
County Sheriff	Douglas A. Harp	01-01-15 to 12-31-18
County Recorder	Candy B. Myers	01-01-15 to 12-31-18
President of the Board of County Commissioners	Gary D. Leatherman	01-01-17 to 12-31-18
President of the County Council	Michael C. Toles Denise Lemmon	01-01-17 to 12-31-17 01-01-18 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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF NOBLE COUNTY, INDIANA

This report is supplemental to our audit report of Noble 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/.

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

(This page intentionally left blank.)

COUNTY AUDITOR
NOBLE COUNTY

COUNTY AUDITOR
NOBLE COUNTY
FEDERAL FINDINGS

FINDING 2017-001

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-002.

Condition

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

1. Lack of Segregation of Duties: The County had not separated incompatible activities related to financial transactions and reporting. The County Auditor prepared and submitted the financial information into the Indiana Gateway for Government Units financial system, which was the source of the Annual Financial Report (AFR) and financial statement. The County did not have effective controls to verify the accuracy of the financial information prior to submission.
2. Monitoring of Controls: The County had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting would have required the County to monitor and assess the quality of the system of internal control.
3. The County's AFR and financial statement contained numerous errors and the County Auditor did not report the After Settlement Collections fund, the Clerk's Trust fund, the Sheriff's Inmate Trust fund, or the Jail Commissary fund. As a result, the beginning balance, receipts, disbursements, and ending balance were understated by \$1,689,656, \$6,985,134, \$6,262,209, and \$2,412,581, respectively.

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

Context

The lack of internal controls allowed material errors to occur and not be detected.

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
NOBLE 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. . . ."

"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. . . ."

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 Guidelines Manual for Counties of Indiana, Chapter 2)

Cause

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

Effect

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

Recommendation

We recommended that the County's management establish controls related to financial transactions and reporting.

Views of Responsible Officials

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

FINDING 2017-002

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 report. 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). No evidence was presented for audit that indicated someone other than the person entering the federal grant information into the Indiana Gateway for Government Units financial reporting system, which was the source of the SEFA, was reviewing the information for accuracy.

COUNTY AUDITOR
NOBLE COUNTY
FEDERAL FINDINGS
(Continued)

The SEFA presented for audit contained the following errors:

1. Five grants were omitted, resulting in an understatement of federal expenditures in the amount of \$159,318.
2. Two grants were incorrectly reported, resulting in an understatement of federal expenditures in the amount of \$400,191.
3. Three grants were incorrectly reported, resulting in an overstatement of federal expenditures in the amount of \$140,935.
4. The Pass Through to Subrecipient amount was understated in the amount of \$325,348.

The net amount of errors resulted in federal expenditures being understated by \$418,574.

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

Context

The lack of internal controls allowed material errors to occur and not be detected.

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. . . ."

COUNTY AUDITOR
NOBLE COUNTY
FEDERAL FINDINGS
(Continued)

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

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

Effect

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

COUNTY AUDITOR
NOBLE COUNTY
FEDERAL FINDINGS
(Continued)

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.

NOBLE COUNTY AUDITOR

Tonya L. Jones

Room 220 – Courthouse

101 N Orange Street

Albion, Indiana 46701

Phone 260-636-2658

Fax: 260-636-4001

tjones@nobleco.us

CORRECTIVE ACTION PLAN

FINDING 2017-001

Tonya Jones, Noble County Auditor

260-636-2658

We concur with the findings of lack of segregation of duties, monitoring of controls and the lack of information from other offices to complete financial report.

The corrective action plan moving forward will be to document any individual that oversees the financial aspect of the Auditor's office. When the financial statement is prepared on Gateway the second or third set of eyes that view it will document their findings or simply sign a form saying they have confirmed what has been stated. We will also continue to ask other offices for the prescribed State Board of Accounts form that needs to be submitted to the Auditor's office to complete the Gateway submission of the financial report. We will now document any emails that are sent to those said offices for proof that we did in fact request the information.

FINDING 2017-002

Tonya Jones, Noble County Auditor

260-636-2658

We concur with the findings of the lack of reporting for the Schedule of Expenditures of Federal Awards.

As a result of not always being informed of new grants or the reoccurrence of existing grants information has been omitted from the schedule. We will continue to try and express the importance of grant information to be submitted to the Auditor's office. Instead of trying to do this all on my own I will segregate duties to another deputy in the office. We will work together to try and become by efficient in the reporting process for the grant schedule. Again, documenting all eyes on the process from beginning to end.

-11
Tonya L. Jones - Auditor

COUNTY AUDITOR
NOBLE COUNTY
AUDIT RESULTS AND COMMENTS

COUNTY PRESCRIBED CHART OF ACCOUNTS

A similar comment appeared in prior Report B48983, entitled *COUNTY PRESCRIBED CHART OF ACCOUNTS*.

The County implemented the new chart of accounts prescribed by the Indiana State Board of Accounts as required by January 1, 2012. However, several fund numbers and or names used by the County did not match the prescribed chart of accounts.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

All counties must implement the use of the new chart of accounts by January 1, 2012. (The County Bulletin and Uniform Compliance Guidelines, January 2011). The deadline has been extended to January 1, 2013. (The County Bulletin and Uniform Compliance Guidelines, January 2012)

COMBINED FUNDS

There were 62 funds reported in the ledger that were combined into 22 funds on the financial statement that was reported through the Indiana Gateway for Government Units financial reporting system. The totals of these combined funds were below the materiality threshold; however, for proper presentation they should be reported separately on the financial statement.

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](#)."

COUNTY AUDITOR
NOBLE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 26, 2018, with Tonya L. Jones, County Auditor; Jacqueline Knafel, County Coordinator; Gary D. Leatherman, President of the Board of County Commissioners; David Dolezal, County Commissioner; Anita Hess, County Commissioner; Dennis Graft, County Attorney; and Denise Lemmon, President of the County Council.

(This page intentionally left blank.)

CLERK OF THE CIRCUIT COURT
NOBLE COUNTY

CLERK OF THE CIRCUIT COURT
NOBLE COUNTY
AUDIT RESULT AND COMMENT

SUPPLEMENTAL ANNUAL FINANCIAL REPORT

The Clerk of the Circuit Court did not complete and remit to the County Auditor the required Supplemental County Annual Report (CAR-1) for the Clerk's Trust fund.

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](#)."

The supplemental annual report forms are submitted by other county offices and departments to be used by the county auditor to provide complete financial information for the annual report by reporting financial activity that is maintained outside of the county auditor's system. The supplemental annual reports are only to be submitted with financial activity that is not eventually accounted for in the county's general ledger system. (The County Bulletin and Uniform Compliance Guidelines, January 2014)

CLERK OF THE CIRCUIT COURT
NOBLE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 26, 2018, with Michelle L. Mawhorter, Clerk of the Circuit Court; Tonya L. Jones, County Auditor; Jacqueline Knafel, County Coordinator; Gary D. Leatherman, President of the Board of County Commissioners; David Dolezal, County Commissioner; Anita Hess, County Commissioner; Dennis Graft, County Attorney; and Denise Lemmon, President of the County Council.

(This page intentionally left blank.)

COUNTY SHERIFF
NOBLE COUNTY

COUNTY SHERIFF
NOBLE COUNTY
AUDIT RESULT AND COMMENT

SUPPLEMENTAL ANNUAL FINANCIAL REPORT

The County Sheriff did not complete and remit to the County Auditor the required Supplemental County Annual Report (CAR-1) for the Jail Commissary fund and the Sheriff's Inmate Trust fund.

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](#)."

The supplemental annual report forms are submitted by other county offices and departments to be used by the county auditor to provide complete financial information for the annual report by reporting financial activity that is maintained outside of the county auditor's system. The supplemental annual reports are only to be submitted with financial activity that is not eventually accounted for in the county's general ledger system. (The County Bulletin and Uniform Compliance Guidelines, January 2014)

COUNTY SHERIFF
NOBLE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 26, 2018, with Douglas A. Harp, County Sheriff; Tonya L. Jones, County Auditor; Jacqueline Knafel, County Coordinator; Gary D. Leatherman, President of the Board of County Commissioners; David Dolezal, County Commissioner; Anita Hess, County Commissioner; Dennis Graft, County Attorney; and Denise Lemmon, President of the County Council.