

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

VIGO 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	James W. Bramble	01-01-17 to 12-31-20
County Treasurer	Nancy Allsup	01-01-17 to 12-31-20
Clerk of the Circuit Court	Bradley M. Newman	01-01-17 to 12-21-20
County Sheriff	Gregory T. Ewing	01-01-15 to 12-31-18
County Recorder	Stacey J. Fueston	01-01-17 to 12-31-20
President of the Board of County Commissioners	Judith A. Anderson	01-01-17 to 12-31-18
President of the County Council	Bill Thomas Aaron Loudermilk	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 VIGO COUNTY, INDIANA

This report is supplemental to our audit report of Vigo 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 20, 2018

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COUNTY AUDITOR
VIGO COUNTY

COUNTY AUDITOR
VIGO COUNTY
FEDERAL FINDINGS

FINDING 2017-002

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

Condition

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

The Auditor did not have a proper system of internal control in place to prevent, or detect and correct, errors on the County's Annual Financial Report (AFR) and financial statement. The financial transactions were input by the Deputy Auditor into the Indiana Gateway for Government Units financial reporting system, which is the source of the AFR and financial statement. The information submitted was reviewed by the Auditor prior to submission; however, the review did not detect reporting errors.

Context

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

1. The Treasurer's Trust / After Settlement Collections fund receipts and disbursements were overstated by \$11,612,412.
2. Fund activity for the Sheriff's Inmate Trust - Supp CAR fund was omitted.
3. Fund activity for the Vigo County Health Department was duplicated in error.
4. The beginning and ending cash and investment balances for the Convention & Tourism fund was overstated by \$62,000 due to an uncorrected error in 2016.

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

Criteria

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

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

COUNTY AUDITOR
VIGO 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. . . ."

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

The Auditor had not established a proper system of internal control over financial transactions and reporting.

Effect

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

Recommendation

We recommended that the Auditor establish an effective system of internal controls related to financial transactions and reporting. We also recommended that the Auditor ensure compliance by providing accurate financial information in the County's AFR.

Views of Responsible Officials

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

FINDING 2017-003

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.

COUNTY AUDITOR
VIGO COUNTY
FEDERAL FINDINGS
(Continued)

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 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 the County Auditor prior to submission; however, the review did not detect reporting errors.

Context

Due to the lack of effective controls, the SEFA contained the following errors:

1. The National School Lunch Program expenditures were overstated by \$300.
2. The Child Support Enforcement expenditures were overstated by \$28,059.
3. The Highway Planning and Construction expenditures were overstated by \$21,678.
4. The Edward Byrne Memorial Justice Assistance Grant Program expenditures were overstated by \$42,138.
5. The Homeland Security Grant Program expenditures were understated by \$2,304.
6. The State and Community Highway Safety expenditures were overstated by \$10.
7. Expenditures for the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii, State and Community Highway Safety, and Alcohol Impaired Driving Countermeasures Incentive Grants I were not identified as a passed through to a subrecipient.

The errors resulted in a net \$89,881 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. . . .

COUNTY AUDITOR
VIGO COUNTY
FEDERAL FINDINGS
(Continued)

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

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

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

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

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

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within 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 the 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."

COUNTY AUDITOR
VIGO COUNTY
FEDERAL FINDINGS
(Continued)

Cause

Management had not established a system of internal control that would have ensured proper reporting of federal expenditures on 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 management of the County establish controls and ensures compliance with Federal guidelines 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.



Vigo County Auditor
VIGO COUNTY ANNEX
131 OAK STREET
TERRE HAUTE, INDIANA 47807
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James W Bramble
James.bramble@vigocounty.in.gov

Cheryl Loudermilk, Chief Deputy Auditor
cheryl.loudermilk@vigocounty.in.gov

November 13, 2018

CORRECTIVE ACTION PLAN

FINDING 2017-002

Contact Person Responsible for Corrective Action: James Bramble

Contact Phone Number: 812-462-3361

Views of Responsible Official: We concur with the finding

Corrective Action Plan:

We do understand the necessity of maintaining a system of internal controls which provides a reasonable assurance regarding the reliability of financial information and records

In order to prevent misstatements in the future, it is our plan to provide adequate training for all employees involved in the administration of financials of the county. This will include establishing proper internal controls and segregation of duties for financial transactions and reporting. We will also require more extensive review of the work product for these employees.

Anticipated Completion Date: 12/31/18

A handwritten signature in black ink, appearing to read "James W. Bramble".

James W Bramble, CPA
Vigo County Auditor



Vigo County Auditor
VIGO COUNTY ANNEX
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Cheryl Loudermilk, Chief Deputy Auditor
cheryl.loudermilk@vigocounty.in.gov

November 13, 2018

CORRECTIVE ACTION PLAN

FINDING 2017-003

Contact Person Responsible for Corrective Action: James Bramble

Contact Phone Number: 812-462-3361

Views of Responsible Official: We concur with the finding

Corrective Action Plan:

We do understand the necessity of maintaining a system of internal controls which provides a reasonable assurance regarding the reliability of financial information and records.

In order to prevent misstatements in the future of federal expenditures on the SEFA, it is our plan to provide adequate training for all employees involved in the administration of federal expenditures. This will include establishing proper internal controls and segregation of duties to prevent and/or detect errors prior to reporting on the SEFA or on the SEFA itself.

Anticipated Completion Date: 12/31/18

A handwritten signature in black ink, appearing to read "James W. Bramble".

James W Bramble, CPA
Vigo County Auditor

COUNTY AUDITOR
VIGO COUNTY
AUDIT RESULT AND COMMENT

CERTIFICATION OF INTERNAL CONTROL STANDARDS

In compliance with Indiana 5-11-1-27 (g), the County adopted internal control standards with Ordinance No. 2016-1, on November 28, 2016. Personnel had not received training concerning the internal control standards and procedures adopted by the political subdivision. The County Auditor certified on Gateway that internal control standards had been adopted, but incorrectly certified that training had been provided to applicable personnel.

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
VIGO COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 20, 2018, with James W. Bramble, County Auditor, and Cheryl Loudermilk, Deputy County Auditor.

COUNTY TREASURER
VIGO COUNTY

COUNTY TREASURER
VIGO COUNTY
FEDERAL FINDING

FINDING 2017-001

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

Condition

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

Cash and Investments

The Treasurer's monthly bank reconciliations were prepared by the Deputy Treasurer and submitted to the Treasurer; however, documentation of a review or approval by the Treasurer or another employee was not provided.

The Treasurer's Cash Book balance exceeded the reconciled depository balance by \$1,660 at December 31, 2017.

Financial Transactions and Reporting

Unidentified posting differences between the County Auditor's office and the Treasurer's office accounting records resulted in an amount on deposit that exceeded the funds balance by \$335,058 at December 31, 2017.

Context

The lack of adequate internal controls and noncompliance were systemic issues 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.

COUNTY TREASURER
VIGO 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. . . .

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. . . ."

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."

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)

Cause

The Treasurer had not established a proper system of internal control over cash and investments and financial transactions and reporting.

Effect

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

Recommendation

We recommended that the Treasurer establish a system of internal controls, including proper segregation of duties, related to cash and investments and financial transactions and reporting. We also recommended that the Treasurer ensure that the Treasurer's Cash Book reconciles to the depository balance on a monthly basis and that the accounting records of the Treasurer's office reconciles with the County Auditor's office.

Views of Responsible Officials

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

NANCY S. ALLSUP
TREASURER OF VIGO COUNTY

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FAX: (812) 462-3279

VIGO COUNTY ANNEX
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TERRE HAUTE, INDIANA 47807

nancy.allsup@vigocounty.in.gov

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Nancy Allsup
Contact Phone Number: 812-462-3251

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

1. The Deputy Treasurer will prepare the monthly bank reconciliation and submit it to the Treasurer and Chief Deputy Treasurer for review. The Treasurer or Chief Deputy Treasurer will provide written documentation of the review and approval to ensure internal controls.
2. The Chief Deputy Treasurer will research past transactions and work with the Auditor's office in an effort to identify the differences between the Funds Ledger and the Cash Book as well as the differences between the bank reconciliations and the Depository Balance per the Cash Book. In addition, she will monitor the differences monthly and strive to properly balance between the Funds Ledger, Cash Book and bank reconciliation.

Anticipated Completion Date: 12/31/2018.


Nancy Allsup
(Signature)

Treasurer
(Title)

11-15-18
(Date)

COUNTY TREASURER
VIGO COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 20, 2018, with Nancy Allsup, County Treasurer, and Tona Bean, Deputy County Treasurer.

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COUNTY SHERIFF
VIGO COUNTY

COUNTY SHERIFF
VIGO COUNTY
AUDIT RESULT AND COMMENT

BANK ACCOUNT RECONCILIATIONS - SHERIFF'S INMATE TRUST

A similar comment also appeared in prior Report B48598, entitled "*BANK ACCOUNT RECONCILIATIONS - SHERIFF'S TRUST AND INMATE TRUST.*"

Bank account reconciliations of the inmate trust account were only presented for January and September 2017. The reconciliations that were presented contained unidentified items. We could not confirm that the reconciled balance was correct.

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
VIGO COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 20, 2018, with Gregory T. Ewing, County Sheriff; Casey Lee, Jail Matron; and Charlie Fulk, Jail Commander.

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BOARD OF COUNTY COMMISSIONERS
VIGO COUNTY

BOARD OF COUNTY COMMISSIONERS
VIGO COUNTY
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

In compliance with Indiana 5-11-1-27 (g), the County adopted internal control standards Ordinance No. 2016-1, on November 28, 2016. Personnel had not received training concerning the internal control standards and procedures adopted by the political subdivision.

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

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

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

BOARD OF COUNTY COMMISSIONERS
VIGO COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 20, 2018, with Judith A. Anderson, President of the Board of County Commissioners; Jon Marvel, County Commissioner; and Brad Anderson, County Commissioner.