

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BARTHOLOMEW COUNTY, INDIANA

January 1, 2017 to December 31, 2017



**FILED**  
02/01/2019



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
County Auditor:	
Federal Findings:	
Finding 2017-001	
Preparation of the Schedule of Expenditures of Federal Awards .....	6-8
Finding 2017-002	
Financial Transactions and Reporting - County Auditor .....	8-10
Corrective Action Plan .....	11-12
Audit Results and Comments:	
County Prescribed Chart of Accounts .....	13
Fund Sources and Uses - Transfers Between Funds .....	13-15
Exit Conference .....	16

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Barbara J. Hackman	01-01-17 to 12-31-18
County Treasurer	Pia M. O'Connor	01-01-17 to 12-31-18
Clerk of the Circuit Court	Jay Phelps	01-01-17 to 12-31-18
County Sheriff	Matt Myers	01-01-17 to 12-31-18
President of the County Council	Laura DeDomenic Mark Gorbett	01-01-17 to 12-31-17 01-01-18 to 12-31-18
President of the Board of County Commissioners	Carl H. Lienhoop Larry Kleinhenz	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](http://www.in.gov/sboa)

TO: THE OFFICIALS OF BARTHOLOMEW COUNTY, INDIANA

This report is supplemental to our audit report of Bartholomew 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 or 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

December 10, 2018

(This page intentionally left blank.)

COUNTY AUDITOR  
BARTHOLOMEW COUNTY

COUNTY AUDITOR  
BARTHOLOMEW 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 of Finding 2016-001 from the immediately prior audit.

*Condition*

The County had not established effective internal controls over the financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the County's Schedule of Expenditures of Federal Awards (SEFA). One employee prepared the SEFA without evidence of a review or approval process, or other compensating controls.

*Context*

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

1. The federal expenditures for nine programs were overstated in the aggregate amount of \$539,511.
2. The federal expenditures for three programs were understated in the aggregate amount of \$56,518.
3. The federal expenditures for 16 programs were omitted by the unit in the aggregate amount of \$571,185.
4. Two state grants were incorrectly reported as federal grants.
5. The pass-through entity identifying number was listed incorrectly for 14 federal grants.
6. Three CFDA numbers were incorrectly reported.

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.

COUNTY AUDITOR  
BARTHOLOMEW 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. . . ."

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 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."

COUNTY AUDITOR  
BARTHOLOMEW COUNTY  
FEDERAL FINDINGS  
(Continued)

*Cause*

The County's management had not established a system of internal control that would have ensured proper reporting of the SEFA.

*Effect*

The failure to establish and properly implement internal controls enabled material misstatements to go undetected. The SEFA contained the errors identified in the *Context*.

*Recommendation*

We recommended that the County's management establish controls to ensure accurate reporting 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.

**FINDING 2017-002**

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

*Repeat Finding*

This is a repeat of Finding 2016-002 from the immediately prior audit.

*Condition*

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

*Annual Financial Report*

One employee prepared and submitted the County's financial information into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report and financial statement, without an oversight, review, or approval process.

*Self-Insurance Fund Transactions*

The County contracted with a third-party administer (TPA) to administer the County's self-insurance health insurance fund (Dunn & Associates Insurance fund). One employee of the County Auditor's office was responsible for preparing the journal entries and making the transfers from the various paying funds to the self-insurance funds held by the TPA. The disbursements were not certified by the County Auditor, nor were they presented to the Board of County Commissioners for approval.

The TPA provided the County with monthly reports, ledger, and other information, but did not provide a detailed check register for all months to support the disbursement amounts from the self-insurance funds. There was no evidence of a control, such as an oversight, review, or approval process of the various reports.

COUNTY AUDITOR  
BARTHOLOMEW COUNTY  
FEDERAL FINDINGS  
(Continued)

Monthly reconciliations were not reviewed or approved by someone other than the person completing the reconciliations. This was the case for the entire audit period.

*Context*

Due to the lack of internal controls, the Annual Financial Report contained the following errors:

1. The General fund beginning balance was overstated by \$12,114,250 and receipts were understated by \$154,728, resulting in an overstatement of the ending balance by \$11,959,522.
2. The General Drain Improvement fund beginning balance was overstated by \$2,232 and receipts were understated by \$2,232.
3. The Clerk of the Circuit Court trust account beginning balance was overstated by \$1,873,658.
4. The ISETS fund beginning balance of \$24,059 was omitted.
5. Receipts of the County's Dunn & Associates Insurance fund were understated by \$620.
6. The County Treasurer fund beginning balance of \$1,958,714, receipts of \$2,887,739, disbursements of \$1,958,714, and ending balance of \$1,887,739 were omitted.
7. The CFDA 20.601 DUI Task Force fund disbursements in the amount of \$1,540 were omitted.

Audit adjustments were proposed, accepted by the County Auditor, and made to the County's 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.

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. . . ."

COUNTY AUDITOR  
BARTHOLOMEW COUNTY  
FEDERAL FINDINGS  
(Continued)

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

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)

*Cause*

The County's management had not established a proper system of internal control to ensure proper financial transactions and reporting.

*Effect*

The failure to establish controls enabled misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the County at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, misstatements in a timely manner.

*Recommendation*

We recommended that the County establish a system of internal 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.



CORRECTIVE ACTION PLAN

**FINDING 2017-001**

Contact Person Responsible for Corrective Action: **Barbara J. Hackman**  
Contact Phone Number: **812-379-1510**

Views of Responsible Official:

I agree with the findings as listed.

Description of Corrective Action Plan:

We are continuing our process of implementing proper Internal Controls set by the SBOA in their 2015 guidance manual, Uniform Internal Control Standards for Indiana Political Subdivisions, which our County Commissioners have adopted in 2016 as required.

The required training of personnel concerning internal control standards and procedures has been implemented and certifications are available in my office for review.

We will continue to strive to meet the required aspects of the Internal Control Standards and will put into place a proper system that will be helpful in creating efficiencies so that any errors are detected and corrective measures are made as needed.

Anticipated Completion Date: A continuing process.

Barbara J. Hackman  
(Signature)

Auditor  
(Title)

12/3/2018  
(Date)



CORRECTIVE ACTION PLAN

**FINDING 2017-002**

Contact Person Responsible for Corrective Action: **Barbara J. Hackman**  
Contact Phone Number: **812-379-1510**

Views of Responsible Official:

I agree with the findings as listed.

Description of Corrective Action Plan:

We are continuing our process of implementing proper Internal Controls set by the SBOA in their 2015 guidance manual, Uniform Internal Control Standards for Indiana Political Subdivisions, which our County Commissioners have adopted in 2016 as required.

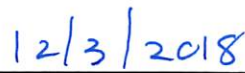
The required training of personnel concerning internal control standards and procedures has been implemented and certifications are available in my office for review.

We will continue to strive to meet the required aspects of the Internal Control Standards and will put into place a proper system that will be helpful in creating efficiencies so that any errors are detected and corrective measures are made as needed.

Anticipated Completion Date: A continuing process

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

COUNTY AUDITOR  
BARTHOLOMEW COUNTY  
AUDIT RESULTS AND COMMENTS

**COUNTY PRESCRIBED CHART OF ACCOUNTS**

The is a repeat result and comment from the prior four audits. The report numbers were B44238, B48695, B48796, and B51985.

The County did not implement the new chart of accounts prescribed by the Indiana State Board of Accounts, as required by January 1, 2013.

Officials and employees are required to use State Board of Accounts prescribed and 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)

**FUND SOURCES AND USES - TRANSFERS BETWEEN FUNDS**

This is a repeat result and comment from the immediately prior Report B51985.

Transfers were made without approval of the County Council. In addition, transfers were made in the drainage funds without direction from the Drainage Board. The following transfers were made by the County Auditor without approval by ordinance from the County Council or approval of the Drainage Board for Drainage funds:

Transfer From	Transfer To	Transfer Amount
CAGIT County Certified Shares (1111)	Rainy Day (014)	\$ 686,152.71
Juvenile Probation Administration (305)	Supplemental Juvenile Probation Services (012)	5,310.00
Adult Probation Administration (305)	Adult Probation Services (011)	26,000.00
20.205 Grant #15-GCF- LPA-02 (864)	Motor Vehicle Highway (002)	94,308.85
Community Corrections - CTP (1123)	Community Corrections/Project Income (022)	72,625.00
County User Fees (2500)	Alcohol and Drug Services (010)	90,000.00
County User Fees (2500)	Pre-Trial Diversion (312)	88,515.00
County User Fees (2500)	Informal Adjustment/Juvenile Probation (314)	2,000.00
County User Fees (2500)	Co Law Enforcement Continuing Education - Sheriff (316)	1,176.66

COUNTY AUDITOR  
BARTHOLOMEW COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Transfer From	Transfer To	Transfer Amount
County User Fees (2500)	Co Law Enforcement Continuing Education - Other (317)	\$ 18,000.00
LIT Certified Shares (730)	Employee Trust Account (860)	3,500,004.00
Robert Tellman Reconstruction Phase I (406)	General Drain Improvement (400)	62,483.76
Clifford Drain Reconstruction Line B (407)	General Drain Improvement (400)	34,600.30
Big Tough Drain (423)	General Drain Improvement (400)	5,761.25
Hardin Linke Maintenance (427)	General Drain Improvement (400)	2,113.30
Clifford Maintenance Drain (429)	General Drain Improvement (400)	1,009.68
Opossum Creek Drain (432)	General Drain Improvement (400)	18,134.79
Chambers Drain (433)	General Drain Improvement (400)	7,506.18
Driftwood Drain (435)	General Drain Improvement (400)	1,470.01
Clarence Hall Drain (440)	General Drain Improvement (400)	7,159.72
Sloan Branch Drain (450)	General Drain Improvement (400)	6,008.06
Ellen Stobo Drain (455)	General Drain Improvement (400)	71.69
Martin Holder Maintenance Drain (485)	General Drain Improvement (400)	1,523.44
East Clifford Drain (487)	East Clifford Drain Maintenance (497)	908.09
McQueen Drain (401)	Mary McQueen Drain (402)	15.00
<b>Total</b>		<b>\$ 4,732,857.49</b>

Indiana Code 36-1-8-4 states in part:

"(a) The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met:

- (1) It must be necessary to borrow money to enhance the fund that is in need of money for cash flow purposes.
- (2) There must be sufficient money on deposit to the credit of the other fund that can be temporarily transferred.
- (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs.
- (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . ."

COUNTY AUDITOR  
BARTHOLOMEW COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR  
BARTHOLOMEW COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 10, 2018, with Barbara J. Hackman, County Auditor; Sandy Beatty, Chief Deputy County Auditor; Larry Kleinhenz, President of the Board of County Commissioners; and Matt Miller, County Council member.