

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

HARRISON COUNTY, INDIANA

January 1, 2017 to December 31, 2017



FILED
02/27/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Chad Shireman	11-27-16 to 12-31-18
County Treasurer	Debbie Dones	01-01-15 to 12-31-18
Clerk of the Circuit Court	Sherry Brown	01-01-17 to 12-31-20
County Sheriff	Rodney Seelye	01-01-15 to 12-31-18
County Recorder	Debbie Dennison	01-01-17 to 12-31-20
President of the Board of County Commissioners	Kenny Saulman	01-01-17 to 12-31-18
President of the County Council	Gary Davis	01-01-17 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF HARRISON COUNTY, INDIANA

This report is supplemental to our audit report of Harrison 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

December 20, 2018

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COUNTY AUDITOR
HARRISON COUNTY

COUNTY AUDITOR
HARRISON COUNTY
FEDERAL FINDING

FINDING 2017-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Finding 2016-001 from the immediately prior audit.

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 federal award information within the County's Annual Report on the Indiana Gateway for Government Units financial reporting system, which was used to generate the County's SEFA, was entered by the County Auditor without a control process in place to ensure its accuracy before submission.

Context

The lack of controls over the preparation of the SEFA was a systemic issue during 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.

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. . . ."

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

COUNTY AUDITOR
HARRISON COUNTY
FEDERAL FINDING
(Continued)

§ 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, misstatements of the SEFA could have remained undetected.

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.

HARRISON COUNTY AUDITOR

245 ATWOOD STREET • STE. 211
CORYDON, INDIANA 47112
(812) 738-8241

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Chad Shireman
Contact Phone Number: 812-738-8241

Views of Responsible Official: We concur with the finding. More concentration was given to the deadline of a timely submission of the Schedule of Expenditures of Federal Awards than the internal controls needed to ensure accuracy. There was also a misunderstanding of how the information should be entered for reporting, which lead to an ongoing trend of the same errors with SEFA submissions. Due to this misunderstanding, it would have been unlikely that any secondary oversight would have caught and corrected this error prior to submission.

Description of Corrective Action Plan: It is now understood how the federal award information should be reported. The auditor will continue to prepare the Schedule of Expenditures of Federal Awards in the future. Accounts receivable personnel that have the duty of documenting all federal awards will verify that the information entered matches the monies received and disbursed by the County. An additional employee will be hired in accounts payable, allowing the seniors accounts payable employee to provide additional oversight for the reporting of federal awards and all other financial transactions. Once any needed corrections have been made, the auditor will submit the County's annual report on the Indiana Gateway financial reporting system.

Anticipated Completion Date: The current three-year audit will be wrapping up by the end of the calendar year (2018). At that time, I will review all corrections made to the SEFA for the years that were audited. With a better understanding of what is expected with federal awards reporting, this corrective action plan will be implemented during the next annual report submission with a due date of March 1, 2019.

Chad Shireman

(Signature)

Harrison County Auditor

(Title)

12-10-2018

(Date)

CHAD SHIREMAN, AUDITOR

COUNTY AUDITOR
HARRISON COUNTY
AUDIT RESULT AND COMMENT

CERTIFICATION ON INTERNAL CONTROL STANDARDS

This is a repeat comment from the immediately prior audit report, Report B52237.

The County Auditor certified on the Indiana Gateway for Government Units financial reporting system on March 21, 2018, that training was provided over internal control standards. The County failed to ensure that all personnel received the training over the internal control standards adopted as required by Indiana Code 5-11-1-27(g). No County employees were trained.

Indiana Code 5-11-1-27(h) states:

"After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that:

- (1) the minimum internal control standards and procedures defined under subsection (e) have been adopted by the political subdivision; and
- (2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2).

The certification shall be filed with the state board of accounts at the same time as the annual financial report required by section 4(a) of this chapter is filed. The certification shall be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

COUNTY AUDITOR
HARRISON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 20, 2018, with Chad Shireman, County Auditor; Kenny Saulman, President of the Board of County Commissioners; Gary Davis, President of the County Council; Holli Castetter, County Council member; and Gary W. Byrne, County Council member.

CLERK OF THE CIRCUIT COURT
HARRISON COUNTY

CLERK OF THE CIRCUIT COURT
HARRISON COUNTY
FEDERAL FINDING

FINDING 2017-002

Subject: Internal Controls over Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition

There was a lack of segregation of duties within the internal control system of the Clerk of the Circuit Court (Clerk) related to financial transactions and reporting. The Clerk had not separated incompatible activities related to disbursements.

Individuals with responsibility for disbursing funds had complete control over the disbursements function. The checks were signed through the computer as they were generated. The same individuals then mailed the checks. There was no indication of a review, oversight, or approval process.

Context

The lack of internal controls was a systemic issue 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.

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

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

Cause

Management of the County had not established a proper system of internal control over the Clerk's disbursements.

Effect

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

Recommendation

We recommended that the County's management establish a system of internal controls related to financial transactions and reporting of the Clerk's disbursements.

Views of Responsible Officials

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



Sherry L. Brown

Clerk of the Harrison Circuit and Superior Courts

sherrybrown@harrisoncounty.in.gov

Harrison Circuit Court
Harrison County Courthouse
300 North Capitol Ave,
Corydon, Indiana 47112
(812) 738-4289 FAX (812) 738-3126

Harrison Superior Court
Harrison County Justice Center
1445 Gardner Ln. NW
Corydon, Indiana 47112
(812) 738-8149 FAX (812) 738-2459

CORRECTIVE ACTION PLAN

FINDING 2017-002

Contact Person Responsible for Corrective Action: Sherry Brown
Contact Phone Number: 812-738-4289

Views of Responsible Official: I concur with the finding.

Description of Corrective Action Plan: Upon the completion of the 1st Deputy or Bookkeeper printing checks, the Clerk or 2nd Deputy will compare the checks to the corresponding report and the check registry prior to the Clerk or that 2nd Deputy making distribution.

Anticipated Completion Date: 12/18/18



Circuit Court Clerk

12/18/18

CLERK OF THE CIRCUIT COURT
HARRISON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 20, 2018, with Chad Shireman, County Auditor; Kenny Saulman, President of the Board of County Commissioners; Gary Davis, President of the County Council; Holli Castetter, County Council member; Gary W. Byrne, County Council member; Sherry L. Brown, Clerk of the Circuit Court.

BOARD OF COUNTY COMMISSIONERS
HARRISON COUNTY

BOARD OF COUNTY COMMISSIONERS
HARRISON COUNTY
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

This is a repeat comment from the immediate prior audit report, Report B52237.

County personnel whose official duties include receiving, processing, depositing, disbursing, or otherwise having access to funds that belong to the federal government, state government, or the County had not received training on the internal control standards and procedures.

Indiana Code 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
HARRISON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 20, 2018, with Chad Shireman, County Auditor; Kenny Saulman, President of the Board of County Commissioners; Gary Davis, President of the County Council; Holli Castetter, County Council member; and Gary W. Byrne, County Council member.