

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

FLOYD COUNTY, INDIANA

January 1, 2016 to December 31, 2016



**FILED**  
03/15/2019



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Scott L. Clark	01-01-15 to 12-31-18
County Treasurer	Linda L. Berger Lois N. Endris	01-01-13 to 12-31-16 01-01-17 to 12-31-20
Clerk of the Circuit Court	Christy M. Eurton	01-01-15 to 12-31-18
County Sheriff	Frank Loop	01-01-15 to 12-31-18
County Recorder	Lois N. Endris Todd Scannell	01-01-13 to 12-31-16 01-01-17 to 12-31-20
President of the Board of County Commissioners	Steve A. Bush Mark Seabrook	01-01-16 to 12-31-16 01-01-17 to 12-31-18
President of the County Council	Brad Striegel	01-01-16 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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302 WEST WASHINGTON STREET  
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TO: THE OFFICIALS OF FLOYD COUNTY, INDIANA

This report is supplemental to our audit report of Floyd County (County), for the period from January 1, 2016 to December 31, 2016. 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

December 27, 2018

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COUNTY AUDITOR  
FLOYD COUNTY

COUNTY AUDITOR  
FLOYD COUNTY  
FEDERAL FINDINGS

***FINDING 2016-001***

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

*Repeat Finding*

This is a repeat of Finding 2015-001 from the immediately prior audit.

*Condition*

The County did not have a proper system of internal control in place over financial transactions and reporting to prevent, or detect and correct, errors. Due to the lack of controls over the input of financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report and the financial statement, material errors remained undetected.

*Context*

The undetected errors included the following: three funds were included twice, seven funds were omitted, and twelve funds were reported incorrectly due to posting errors to the County's general ledger. The net effect of the errors resulted in the beginning cash and investment balances being overstated by \$197,821, receipts being understated by \$16,245,882, disbursements being understated by \$16,453,930, and the ending cash and investment balances being overstated by \$405,869.

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.

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  
FLOYD COUNTY  
FEDERAL FINDINGS  
(Continued)

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*

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

*Effect*

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

*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.

**FINDING 2016-002**

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness, Noncompliance

*Repeat Finding*

This is a repeat of Finding 2015-002 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). 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 was reviewing the information for accuracy.

COUNTY AUDITOR  
FLOYD COUNTY  
FEDERAL FINDINGS  
(Continued)

*Context*

The SEFA contained the following errors:

1. Eighteen grant awards were omitted, resulting in an understatement of expenditures in the amount of \$1,374,459.
2. Six grant awards were incorrectly reported, resulting in an understatement of expenditures in the amount of \$69,110.
3. Two grant awards were reported on the SEFA in error, resulting in an overstatement of expenditures in the amount of \$9,513.
4. Twelve grant awards were incorrectly reported as passed through to a subrecipient, resulting in a reporting error of \$198,026.
5. There were several instances in which the awarding agency, program title, project title, pass-through entity, and CFDA numbers were incorrectly reported.

The net amount of errors resulted in an understatement of \$1,434,056.

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. . . ."

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  
FLOYD 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 *Context*.

COUNTY AUDITOR  
FLOYD 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.



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**Scott L. Clark**, Auditor of Floyd County

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CORRECTIVE ACTION PLAN

**FINDING 2016-001**

Contact Person Responsible for Corrective Action: Scott L. Clark  
Contact Phone Number: 812-948-5435

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

In 2018, the County discovered a software error in how the uploaded file to Gateway that contains the report of transactions is being calculated. The Auditor has worked with the software company and that file is now correct. The auditor will continue to review the uploaded file in Gateway to insure that no errors exist and there should be no issues with this finding after 2017.

Anticipated Completion Date:

Immediate, as of 2018.

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

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

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



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**Scott L. Clark**, Auditor of Floyd County

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CORRECTIVE ACTION PLAN

**FINDING 2016-002** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Scott L. Clark  
Contact Phone Number: 812-948-5435

Views of Responsible Official: I concur with the finding.

Description of Corrective Action Plan:

The Auditor has sought to improve the internal control surrounding the preparation of the SEFA report. The auditor along with the County Commissioners have introduced a new Grant policy. The policy stipulates the approvals needed and related documentation necessary of new and renewable grants. Among that documentation is a grant information sheet that lists all identifiable information regarding the grant so that this information can then be reported to Gateway.

Anticipated Completion Date:

January, 2019.

(Signature)

(Title)

12-13-18

COUNTY AUDITOR  
FLOYD COUNTY  
AUDIT RESULTS AND COMMENTS

***PENALTIES, INTEREST, AND OTHER CHARGES***

Penalties, interest, and other charges totaling \$13,234.98 were assessed upon and paid by the County during the audit period. The County paid the Internal Revenue Service (IRS) penalties and interest totaling \$13,234.98 for failing to properly file Employer's Quarterly Federal Tax Return - Form 941 for the period ending December 31, 2015, and for failure to file the correct information for the year 2013.

The County Auditor was responsible for filing remittance reports and for making timely remittances of taxes related to the penalties and interest that were assessed and paid to the IRS.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

***CERTIFICATION ON INTERNAL CONTROL STANDARDS***

The County failed to provide training to all required officials and personnel over the internal control standards adopted as required by Indiana Code 5-11-1-27(g). Although some required officials and personnel did not receive the training, the County Auditor certified in the Gateway for Government Units financial reporting system on February 27, 2017, that the County had provided the required employees with internal control training.

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](#)."

***APPROPRIATIONS***

The same comment also appeared in prior Report B48666.

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Excess Amount Expended</u>
General	\$ 1,685,831

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

COUNTY AUDITOR  
FLOYD COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 27, 2018, with Scott L. Clark, County Auditor; John J. Schellenberger, County Commissioner; Brad Striegel, President of the County Council; Denise Konkle, County Council member; and Steven P. Langdon, County Council Attorney.

COUNTY TREASURER  
FLOYD COUNTY

COUNTY TREASURER  
FLOYD COUNTY  
FEDERAL FINDING

***FINDING 2016-003***

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

*Repeat Finding*

This is a repeat of Finding 2015-003 from the immediately prior audit.

*Condition*

The County Treasurer did not have a proper system of internal control in place over financial transactions and reporting to prevent, or detect and correct, errors in financial reporting. The County Treasurer had not separated incompatible activities related to receipts and cash and investments. The same individuals responsible for collecting and depositing funds and recording financial activity also performed the bank reconciliations without any compensating controls to verify the accuracy of the reconcilements.

*Context*

Depository reconciliations of the fund balances to the bank account balances in the County Treasurer's office were conducted; however, the reconciliations contained errors and did not balance. A comparison of the Treasurer's Daily Balance of Cash and Depositories, Form 47 (Cash Book) to the bank accounts on December 31, 2016, indicated a cash long of \$244,165.

Financial transactions were not recorded in a timely manner. At December 31, 2016, financial activity in the amount of \$95,580 from Bureau of Motor Vehicle license excise taxes had been received but not recorded to the financial records by year end. The following problems were identified with the timely recording of financial transactions:

1. License excise tax electronically deposited was recorded up to two months after it was deposited into the bank account.
2. Unidentified reconciling items were documented for up to a year, yet no corrections were made to the financial records.
3. Monthly earnings on wealth management investment account was only recorded quarterly and fees on the account were not recorded to the records.

*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

COUNTY TREASURER  
FLOYD COUNTY  
FEDERAL FINDING  
(Continued)

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. . . ."

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 Counties of Indiana, Chapter 1)

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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 Counties of Indiana, Chapter 1)

*Cause*

Management of the County had not established a proper system of internal control that segregated key functions.

*Effect*

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

*Recommendation*

We recommended that the County establish a system of internal controls related to financial transactions and reporting. We also recommended that all financial transactions be recorded and accounted for timely and any reconciling items be corrected in a timely manner.

*Views of Responsible Officials*

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



**Lois N. Endris**  
**Floyd County Treasurer**

CORRECTIVE ACTION PLAN

FINDING 2016-003

Contact Person Responsible for Corrective Action – Lois Endris, Treasurer

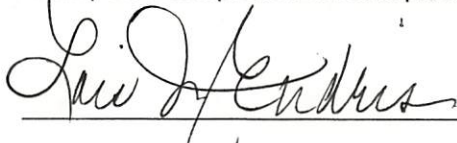
Contact Phone Number – 812-948-5477

Views of Responsible Official: Implementing procedures for corrective action on findings

Description of Corrective Action Plan:

1. Procedures were implemented as of 01-01-2017 for a proper system of internal control over financial transactions and reporting to prevent, or detect and correct errors in financial reporting. Procedures were implemented to segregate duties related to receipts and cash and investments. Collections, depositing funds, and recording financial activity is done by separate individuals.  
The individual balancing the accounts also keeps a separate accounting of all investments, dividends, and fees. All of these activities are verified by the Treasurer and double checked.
2. As of 01-01-2017, procedures have been implemented to ensure depository reconciliations of fund balances and bank account balances are reconciled, balanced, and do not contain errors.
3. Procedures have been implemented as of 01-01-2017 whereby BMV license excise tax is now being receipted to the records on a regular basis twice a month in a current manor.
4. Procedures have been implemented to identify reconciling items previously unidentified and corrected.
5. As of 09-2017, Stock Yards Bank wealth management account has been closed with the proceeds being transferred to an investment account allowing us to report earnings and to balance the account on a monthly basis. This account is not subject to fees.

Anticipated completion date: in place currently

  
\_\_\_\_\_  
Lois N. Endris, Treasurer

December 13, 2018

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Phone: 812-948-5477 • Fax: 812-948-4750  
lendris@floydcounty.in.gov  
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COUNTY TREASURER  
FLOYD COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 20, 2018, with Lois N. Endris, County Treasurer.

The contents of this report were also discussed on December 27, 2018, with John J. Schellenberger, County Commissioner; Brad Striegel, President of the County Council; Denise Konkle, County Council member; and Steven P. Langdon, County Council Attorney.

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BOARD OF COUNTY COMMISSIONERS  
FLOYD COUNTY

BOARD OF COUNTY COMMISSIONERS  
FLOYD COUNTY  
AUDIT RESULT AND COMMENT

***TRAINING ON INTERNAL CONTROL STANDARDS***

Officers and employees whose official duties include receiving, processing, depositing, disbursing or otherwise have access to funds that belong to the political subdivision, or another governmental entity had not received training concerning the internal control standards and procedures adopted by the County in Ordinance No. 2016-14.

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  
FLOYD COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 27, 2018, with John J. Schellenberger, County Commissioner; Brad Striegel; President of the County Council, Denise Konkle, County Council member; and Steven P. Langdon, County Council Attorney.

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COUNTY COUNCIL  
FLOYD COUNTY

COUNTY COUNCIL  
FLOYD COUNTY  
AUDIT RESULTS AND COMMENTS

**APPROPRIATIONS**

The same comment also appeared in prior Report B48666.

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Excess Amount Expended</u>
General	\$ 1,685,831

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

**TRAINING ON INTERNAL CONTROL STANDARDS**

Officers and employees whose official duties include receiving, processing, depositing, disbursing or otherwise have access to funds that belong to the political subdivision, or another governmental entity had not received training concerning the internal control standards and procedures adopted by the County in Ordinance No. 2016-14.

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."

COUNTY COUNCIL  
FLOYD COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 27, 2018, with John J. Schellenberger, County Commissioner; Brad Striegel, President of the County Council; Denise Konkle, County Council member; and Steven P. Langdon, County Council Attorney.