

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BARTHOLOMEW COUNTY, INDIANA

January 1, 2018 to December 31, 2018



**FILED**  
07/11/2019



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
County Auditor:	
Federal Findings:	
Finding 2018-001	
Preparation of the Schedule of Expenditures of Federal Awards .....	6-8
Finding 2018-002	
Financial Transactions and Reporting - County Auditor.....	8-9
Finding 2018-003	
Internal Controls over Child Support Enforcement.....	10-11
Corrective Action Plan .....	12-15
Audit Result and Comment:	
Capital Assets .....	16
Exit Conference .....	17
County Prosecuting Attorney:	
Federal Finding:	
Finding 2018-003	
Internal Controls over Child Support Enforcement.....	20-21
Corrective Action Plan .....	22-23
Exit Conference .....	24

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Barbara Hackman Pia O'Connor	11-01-08 to 12-31-18 01-01-19 to 12-31-22
County Treasurer	Pia O'Connor Barbara Hackman	01-01-10 to 12-31-18 01-01-19 to 12-31-22
Clerk of the Circuit Court	Jay Phelps	01-01-14 to 12-31-22
County Sheriff	Matt Myers	01-01-14 to 12-31-22
President of the County Council	Mark Gorbett Matt Miller	01-01-18 to 12-31-18 01-01-19 to 12-31-19
President of the Board of County Commissioners	Larry Kleinhenz Richard A. Flohr	01-01-18 to 12-31-18 01-01-19 to 12-31-19



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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Telephone: (317) 232-2513  
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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, 2018 to December 31, 2018. 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 Result and Comment 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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, were not verified for accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

June 12, 2019

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COUNTY AUDITOR  
BARTHOLOMEW COUNTY

COUNTY AUDITOR  
BARTHOLOMEW COUNTY  
FEDERAL FINDINGS

***FINDING 2018-001***

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

*Repeat Finding*

This is a repeat of Finding 2017-001 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 an oversight, review, or approval process to ensure the SEFA was accurate prior to submission.

*Context*

The SEFA contained the following errors:

1. The federal expenditures for nine federal programs were overstated in the aggregate amount of \$2,906,328.
2. The federal expenditures for three federal programs were understated by \$320,805.
3. The federal expenditures for one federal program, CFDA 93.539, were omitted by the unit.
4. Three state grants were incorrectly reported as federal grants.
5. Four 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. . . ."

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 remain undetected. The SEFA contained the errors identified in the *Context*.

*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.

**FINDING 2018-002**

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

*Repeat Finding*

This is a repeat of Finding 2017-002 from the immediately prior audit.

*Condition*

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

The County contracted with a third-party administer to administer the County's self-insurance health insurance fund (Dunn & Associates Insurance fund). The fund is not ran through the County's financial system. The financial statement fund balances were obtained from the bank account abstract.

*Context*

Due to the lack of internal controls, the Dunn & Associates Insurance fund receipts and disbursements were understated by \$2,884,639 and \$4,403,183, respectively.

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

COUNTY AUDITOR  
BARTHOLOMEW COUNTY  
FEDERAL FINDINGS  
(Continued)

*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. . . ."

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*

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's management 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.

COUNTY AUDITOR  
BARTHOLOMEW COUNTY  
FEDERAL FINDINGS  
(Continued)

**FINDING 2018-003**

Subject: Internal Controls over Child Support Enforcement  
Federal Agency: Department of Health and Human Services  
Federal Program: Child Support Enforcement  
CFDA Number: 93.563  
Federal Award Number and Year (or Other Identifying Number): 2018  
Pass-Through Entity: Indiana Department of Child Services  
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles,  
Cash Management, Period of Performance, Reporting  
Audit Finding: Material Weakness

*Condition*

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the compliance requirements listed above.

*County Prosecuting Attorney*

A consultant prepared the Monthly Expense Claims (MEC) and the Quarterly Incentive Expenditure (QIE) reports. The County Prosecuting Attorney's staff had not documented their review to ensure the MECs were for allowable activities and allowable costs, paid prior to requesting reimbursement, incurred within the period of performance, and that amounts reported were accurate.

*County Auditor*

An employee of the County Auditor prepared the Quarterly Incentive Balance (QIB) reports; however, there was no documented oversight, review, or approval process to ensure the accuracy of the reports prior to submission.

A consultant prepared the Cost Allocation Plan for indirect costs charged to the program for the County. The County had not established effective controls to ensure the Cost Allocation Plan was properly prepared and included accurate information.

*Context*

The lack of internal controls was a systemic issue throughout the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

COUNTY AUDITOR  
BARTHOLOMEW COUNTY  
FEDERAL FINDINGS  
(Continued)

*Cause*

Management had not established an effective system of internal controls that segregated key functions over the compliance requirements listed above.

*Effect*

The failure to establish an effective internal control system placed the County at risk of noncompliance with the grant agreement and the compliance requirements listed above.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the County's management establish and implement controls related to the grant agreement and the compliance requirements listed above.

*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 2018-001**

Contact Person Responsible for Corrective Action: **Pia O'Connor**  
Contact Phone Number: **812-379-1510**

Views of Responsible Official:

I agree with the findings as listed.

Description of Corrective Action Plan:

Proper procedures will be implemented for monitoring and reviewing any and all Grants, either Federal or State. A checklist will be created and completed during various parts of the grant process and on a monthly basis grant data will be reviewed, verified and signed off on.

In addition to monthly review, after SEFA (grant) information is entered into Gateway by the Chief Deputy Auditor, the Auditor will review the information for accuracy before the reports are submitted.

Anticipated Completion Date: A continuing process

(Signature)

Auditor

(Title)

June 10 2019

(Date)

*Focused on providing accurate information, maintaining and enhancing government transparency, and delivering great customer service to Bartholomew County.*



CORRECTIVE ACTION PLAN

**FINDING 2018-002**

Contact Person Responsible for Corrective Action: **Pia O'Connor**  
Contact Phone Number: **812-379-1510**

Views of Responsible Official:

I agree with the findings as listed.

Description of Corrective Action Plan:

Proper procedures have been implemented for monitoring and reviewing of all reports provided by the third party administrator in regards to the County's self-insurance health insurance fund. A proper audit will be performed monthly by an employee of the Auditor's Office and a review of the financial data will be verified and signed off on.

Anticipated Completion Date: Completed

(Signature)

*Bartholomew County Auditor*

(Title)

*June 5 2019*

(Date)

*Focused on providing accurate information, maintaining and enhancing government transparency, and delivering great customer service to Bartholomew County.*



## CORRECTIVE ACTION PLAN

**FINDING 2018-003**

Contact Person Responsible for Corrective Action: **Pia O'Connor**  
 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 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.

In regards to Section III – Federal Award Findings and Questioned Cost:

County Prosecutor – The Office Administrator within the Prosecutor's Office will review the Monthly Expense Claims (MEC) and the Quarterly Expenditure Report (QIE) prepared by the consultant to ensure that the activities and costs are allowable before requesting reimbursement and that the amounts reported are correct.

County Auditor - The Chief Deputy Auditor will prepare the Quarterly Incentive Balance (QIB) reports. The Auditor will then review the reports for accuracy prior to submission.

Cost Allocation - The Office Administrator within the Prosecutor's Office will review the Cost Allocation Plan prepared by the consultant regarding indirect costs charged to the program for the County was properly prepared and included accurate information.

Anticipated Completion Date: A continuing process

*Focused on providing accurate information, maintaining and enhancing government transparency, and delivering great customer service to Bartholomew County.*

P. J. Conner

(Signature)

Auditor

(Title)

June 10, 2019

(Date)

COUNTY AUDITOR  
BARTHOLOMEW COUNTY  
AUDIT RESULT AND COMMENT

***CAPITAL ASSETS***

The County did not have detailed Capital Assets records that agreed to the Gateway Capital Assets reported at December 31, 2018.

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY AUDITOR  
BARTHOLOMEW COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on June 12, 2019, with Barbara Hackman, County Treasurer; Pia O'Connor, County Auditor; Sandy Beatty, Chief Deputy County Treasurer; Dalene Pattingill, Chief Deputy County Auditor, Matt Miller, President of the County Council; Richard A. Flohr, President of the County Commissioners; and Brenda Mijares, County Prosecuting Attorney's office Administrator.

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COUNTY PROSECUTING ATTORNEY  
BARTHOLOMEW COUNTY

COUNTY PROSECUTING ATTORNEY  
BARTHOLOMEW COUNTY  
FEDERAL FINDINGS

***FINDING 2018-003***

Subject: Internal Controls over Child Support Enforcement  
Federal Agency: Department of Health and Human Services  
Federal Program: Child Support Enforcement  
CFDA Number: 93.563  
Federal Award Number and Year (or Other Identifying Number): 2018  
Pass-Through Entity: Indiana Department of Child Services  
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles,  
Cash Management, Period of Performance, Reporting  
Audit Finding: Material Weakness

*Condition*

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the compliance requirements listed above.

*County Prosecuting Attorney*

A consultant prepared the Monthly Expense Claims (MEC) and the Quarterly Incentive Expenditure (QIE) reports. The County Prosecuting Attorney's staff had not documented their review to ensure the MECs were for allowable activities and allowable costs, paid prior to requesting reimbursement, incurred within the period of performance, and that amounts reported were accurate.

*County Auditor*

An employee of the County Auditor prepared the Quarterly Incentive Balance (QIB) reports; however, there was no documented oversight, review, or approval process to ensure the accuracy of the reports prior to submission.

A consultant prepared the Cost Allocation Plan for indirect costs charged to the program for the County. The County had not established effective controls to ensure the Cost Allocation Plan was properly prepared and included accurate information.

*Context*

The lack of internal controls was a systemic issue throughout the audit period.

COUNTY PROSECUTING ATTORNEY  
BARTHOLOMEW COUNTY  
FEDERAL FINDINGS  
(Continued)

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

*Cause*

Management had not established an effective system of internal controls that segregated key functions over the compliance requirements listed above.

*Effect*

The failure to establish an effective internal control system placed the County at risk of noncompliance with the grant agreement and the compliance requirements listed above.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the County's management establish and implement controls related to the grant agreement and the compliance requirements listed above.

*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 2018-003**

Contact Person Responsible for Corrective Action: **Pia O'Connor**  
 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 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.

In regards to Section III – Federal Award Findings and Questioned Cost:

County Prosecutor – The Office Administrator within the Prosecutor's Office will review the Monthly Expense Claims (MEC) and the Quarterly Expenditure Report (QIE) prepared by the consultant to ensure that the activities and costs are allowable before requesting reimbursement and that the amounts reported are correct.

County Auditor - The Chief Deputy Auditor will prepare the Quarterly Incentive Balance (QIB) reports. The Auditor will then review the reports for accuracy prior to submission.

Cost Allocation - The Office Administrator within the Prosecutor's Office will review the Cost Allocation Plan prepared by the consultant regarding indirect costs charged to the program for the County was properly prepared and included accurate information.

Anticipated Completion Date: A continuing process

*Focused on providing accurate information, maintaining and enhancing government transparency, and delivering great customer service to Bartholomew County.*

P. J. Conner

(Signature)

Auditor

(Title)

June 10, 2019

(Date)

COUNTY PROSECUTING ATTORNEY  
BARTHOLOMEW COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on June 12, 2019, with Barbara Hackman, County Treasurer; Pia O'Connor, County Auditor; Sandy Beatty, Chief Deputy County Treasurer; Dalene Pattingill, Chief Deputy County Auditor, Matt Miller, President of the County Council; Richard A. Flohr, President of the County Commissioners; and Brenda Mijares, County Prosecuting Attorney's office Administrator.