

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

NOBLE 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 Finding:	
Finding 2018-001	
Preparation of the Schedule of Expenditures of Federal Awards .....	6-8
Corrective Action Plan .....	9
Audit Result and Comment:	
County Prescribed Chart of Accounts .....	10
Exit Conference .....	11

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Tonya L. Jones	01-01-15 to 12-31-22
County Treasurer	Michele J. Bricker	01-01-17 to 12-31-20
Clerk of the Circuit Court	Michelle L. Mawhorter	01-01-17 to 12-31-20
County Sheriff	Douglas A. Harp Max Weber	01-01-15 to 12-31-18 01-01-19 to 12-31-22
County Recorder	Candy B. Myers	01-01-15 to 12-31-22
President of the Board of County Commissioners	Gary D. Leatherman	01-01-18 to 12-31-19
President of the County Council	Denise Lemmon	01-01-18 to 12-31-19



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF NOBLE COUNTY, INDIANA

This report is supplemental to our audit report of Noble 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 Finding, identified in the above referenced audit report, is 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 Finding 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 3, 2019

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COUNTY AUDITOR  
NOBLE COUNTY

COUNTY AUDITOR  
NOBLE COUNTY  
FEDERAL FINDING

***FINDING 2018-001***

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

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2017-002.

*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 who entered the federal grant information into the Indiana Gateway for Government Units financial reporting system, which was the source of the SEFA, reviewed the information for accuracy.

The SEFA presented for audit contained the following errors:

1. Six grants were added to the schedule, resulting in an understatement of federal expenditures in the amount of \$233,707.
2. Four grants were incorrectly reported, resulting in an overstatement of federal expenditures in the amount of \$211,609.
3. Two grants were incorrectly reported, resulting in an understatement of federal expenditures in the amount of \$299,822.
4. The Passed Through to Subrecipients was overstated in the amount of \$131,518.

The net amount of errors resulted in federal expenditures being understated by \$321,920.

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

*Context*

The lack of internal controls allowed material errors to occur and not be detected.

*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:

NOBLE COUNTY  
FEDERAL FINDING  
(Continued)

"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. . . .

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.

NOBLE COUNTY  
FEDERAL FINDING  
(Continued)

- (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 *Condition*.

*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.

## CORRECTIVE ACTION PLAN

### Finding 2018-001

Tonya L Jones, Noble County Auditor

260-636-2658

We concur with the findings of the lack of reporting for Schedule of Expenditures of Federal Awards. As a result of lack of communication of new grants, or the activity of existing grants, that isn't brought to our attention, we again have issues with the reporting of the SEFA. We have tried to implement new procedures in the last few months, which include the financial deputy being trained in assisting the Auditor with this reporting process. We will continue to work with the other offices to enforce communication regarding the grant reporting.



Noble County Auditor

5/29/19

Estimated completion date: December 2019

COUNTY AUDITOR  
NOBLE COUNTY  
AUDIT RESULT AND COMMENT

***COUNTY PRESCRIBED CHART OF ACCOUNTS***

The same comment also appeared in prior reports dating back to 2013, including the two prior Reports B48983 and B51806.

The County implemented the new chart of accounts prescribed by the Indiana State Board of Accounts as required by January 1, 2012. However, several fund numbers and/or names used by the County did not match the prescribed chart of accounts.

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

COUNTY AUDITOR  
NOBLE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on June 3, 2019, with Tonya L. Jones, County Auditor; Michele J. Bricker, County Treasurer; Denise Lemmon, President of the County Council; and Gary D. Leatherman, President of the Board of County Commissioners.