

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CASS COUNTY, INDIANA

January 1, 2018 to December 31, 2018



**FILED**  
07/17/2019



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Cheryl Alcorn	01-01-17 to 12-31-20
County Treasurer	Kathleen Adair	01-01-17 to 12-31-20
Clerk of the Circuit Court	Beth Liming	01-01-17 to 12-31-20
County Sheriff	Randy Pryor Ed Schroder	01-01-15 to 12-31-18 01-01-19 to 12-31-22
County Recorder	Cindy Howard	01-01-15 to 12-31-22
President of the Board of County Commissioners	James L. Sailors	01-01-18 to 12-31-19
President of the County Council	George L. Stebbins Michael Stajduhar	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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TO: THE OFFICIALS OF CASS COUNTY, INDIANA

This report is supplemental to our audit report of Cass 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 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.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

June 17, 2019

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COUNTY AUDITOR  
CASS COUNTY

COUNTY AUDITOR  
CASS COUNTY  
FEDERAL FINDINGS

***FINDING 2018-001***

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

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-001.

*Condition*

There were deficiencies in the internal control system of the County related to receipts recorded to the financial statement and financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report (AFR) and the financial statement.

Receipts were issued, recorded, and submitted to the County Treasurer for deposit without evidence of proper segregation of duties. There was no documented oversight, review or approval process in place to ensure the accuracy and classification of receipts to the proper funds and accounts.

Although the County had implemented controls over the AFR, they were not effective.

*Context*

Due to a lack of effective controls over the input of the financial information, the financial statement presented for audit contained the following errors:

1. The Treasurer Supplemental fund receipts and disbursements were overstated by \$41,549,469.
2. The Congressional Principal fund balance was not included, resulting in an ending cash understatement of \$29,625.
3. The Park & Rec Non Reverting fund receipts and disbursements were overstated by \$155,072 and \$3,898, respectively.

Audit adjustments were proposed, accepted by the County, 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:

COUNTY AUDITOR  
CASS COUNTY  
FEDERAL FINDINGS  
(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. . . ."

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](#)."

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)

*Cause*

Management of the County had not established a proper system of internal control to ensure proper reporting of the AFR and financial statement.

*Effect*

The failure to establish controls that operated effectively enabled misstatements of the AFR and financial statement to remain undetected. The AFR and financial statement contained the errors identified in the *Context*.

*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.

COUNTY AUDITOR  
CASS COUNTY  
FEDERAL FINDINGS  
(Continued)

**FINDING 2018-002**

Subject: Federal Transit Cluster and Formula Grants for Rural Areas - Suspension and Debarment  
Federal Agency: Department of Transportation  
Federal Programs: Bus and Bus Facilities Formula Program, Formula Grants for Rural Areas  
CFDA Numbers: 20.526, 20.509  
Federal Award Number and Year (or Other Identifying Number): PO 0018811055  
Pass-Through Entity: Indiana Department of Transportation  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Other Matters

*Condition*

An effective internal control system was not in place at the County in order to ensure compliance with the grant agreement and the suspension and debarment requirements of the Procurement and Suspension and Debarment compliance requirement.

The County did not follow procedures established by the grant agreement to ensure that vendors who receive federal funds with contracts that exceeded \$25,000 were not suspended or debarred from participation in federal awards programs. The Board of County Commissioners entered into one contract with a vendor that exceeded the \$25,000. The County did not perform any procedures to ensure compliance with requirements regarding verification that the vendor was not suspended or debarred from participation in federal programs before entering into a contract.

*Context*

The lack of controls and noncompliance were systemic issues 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). . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

COUNTY AUDITOR  
CASS COUNTY  
FEDERAL FINDINGS  
(Continued)

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

*Cause*

Management had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the suspension and debarment requirements of the Procurement and Suspension and Debarment compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the County.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the County's management establish internal controls related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

*Views of Responsible Officials*

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

**Cass County Government Building  
200 Court Park  
Logansport, IN 46947**



**Cass County Auditor  
Cheryl Alcorn  
Room 105  
574-753-7700 [cheryl.alcorn@co.cass.in.us](mailto:cheryl.alcorn@co.cass.in.us)**

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CORRECTIVE ACTION PLAN

***FINDING 2018-001***

Contact Person Responsible for Corrective Action: **Cheryl Alcorn, County Auditor**  
Contact Phone Number: **574-753-7700**

Views of Responsible Official:  
We concur with the finding.

Description of Corrective Action Plan:

The corrective plan of action will include a documented review of receipts by deputy auditors as well as the AFR prior to final submission. Upon review process the Auditor will ensure all supplemental reports will be complete and accurate.

Anticipated Completion Date:  
Corrective action plan will start immediately.

  
(Signature)

Cass County Auditor

(Title)

June 17, 2019

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200 Court Park  
Logansport, IN 46947**



**Cass County Auditor  
Cheryl Alcorn  
Room 105  
574-753-7700 [cheryl.alcorn@co.cass.in.us](mailto:cheryl.alcorn@co.cass.in.us)**

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CORRECTIVE ACTION PLAN

***FINDING 2018-002***

Contact Person Responsible for Corrective Action: **Cheryl Alcorn, County Auditor**  
Contact Phone Number: **574-753-7700**

Views of Responsible Official:  
We concur with the finding.

Description of Corrective Action Plan:  
County Commissioners and Auditor will work together to implement procedures and controls to ensure vendor contracts include suspension and debarment compliance clause.

Anticipated Completion Date:  
Corrective action plan will start immediately.

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

Cass County Auditor

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

June 17, 2019

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

COUNTY AUDITOR  
CASS COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on June 17, 2019, with Cheryl Alcorn, County Auditor; James L. Sailors, President of the Board of County Commissioners; Ryan Browning, County Commissioner; Michael Stajduhar, President of the County Council; and Brian Reed, County Council member.

BOARD OF COUNTY COMMISSIONERS  
CASS COUNTY

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FEDERAL FINDING

***FINDING 2018-002***

Subject: Federal Transit Cluster and Formula Grants for Rural Areas - Suspension and Debarment  
Federal Agency: Department of Transportation  
Federal Programs: Bus and Bus Facilities Formula Program, Formula Grants for Rural Areas  
CFDA Numbers: 20.526, 20.509  
Federal Award Number and Year (or Other Identifying Number): PO 0018811055  
Pass-Through Entity: Indiana Department of Transportation  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Other Matters

*Condition*

An effective internal control system was not in place at the County in order to ensure compliance with the grant agreement and the suspension and debarment requirements of the Procurement and Suspension and Debarment compliance requirement.

The County did not follow procedures established by the grant agreement to ensure that vendors who receive federal funds with contracts that exceeded \$25,000 were not suspended or debarred from participation in federal awards programs. The Board of County Commissioners entered into one contract with a vendor that exceeded the \$25,000. The County did not perform any procedures to ensure compliance with requirements regarding verification that the vendor was not suspended or debarred from participation in federal programs before entering into a contract.

*Context*

The lack of controls and noncompliance were systemic issues throughout the audit period.

*Criteria*

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- (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). . . ."

BOARD OF COUNTY COMMISSIONERS  
CASS COUNTY  
FEDERAL FINDING  
(Continued)

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"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
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*Cause*

Management had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the suspension and debarment requirements of the Procurement and Suspension and Debarment compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the County.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the County's management establish internal controls related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

*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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CORRECTIVE ACTION PLAN

***FINDING 2018-002***

Contact Person Responsible for Corrective Action: **Cheryl Alcorn, County Auditor**  
Contact Phone Number: **574-753-7700**

Views of Responsible Official:  
We concur with the finding.

Description of Corrective Action Plan:  
County Commissioners and Auditor will work together to implement procedures and controls to ensure vendor contracts include suspension and debarment compliance clause.

Anticipated Completion Date:  
Corrective action plan will start immediately.

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

Cass County Auditor

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

June 17, 2019

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

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