

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MARSHALL COUNTY, INDIANA

January 1, 2018 to December 31, 2018



FILED
07/30/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Julie A. Fox	01-01-15 to 12-31-22
County Treasurer	Angela C. Birchmeier	01-01-17 to 12-31-20
Clerk of the Circuit Court	Deborah P. VanDeMark	01-01-15 to 12-31-22
County Sheriff	Matthew K. Hassel	01-01-15 to 12-31-22
County Recorder	Marlene K. Mahler Janet Howard	01-01-15 to 12-31-18 01-01-19 to 12-31-22
President of the Board of County Commissioners	Kevin G. Overmyer	01-01-18 to 12-31-19
President of the County Council	Judith Stone	01-01-18 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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TO: THE OFFICIALS OF MARSHALL COUNTY, INDIANA

This report is supplemental to our audit report of Marshall 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.

The Federal Finding, identified in the above referenced audit report, is included in this report.

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

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

July 8, 2019

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COUNTY AUDITOR
MARSHALL COUNTY

COUNTY AUDITOR
MARSHALL COUNTY
FEDERAL FINDING

FINDING 2018-001

Subject: Child Support Enforcement - Allowable Costs/Cost Principles
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): FY 2018
Pass-Through Entity: Indiana Department of Child Services
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit related to the cost allocation plan. The prior audit finding number was 2017-007.

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 Allowable Costs/Cost Principles compliance requirement related to the cost allocation plan. In addition, the County had implemented controls over Allowable Costs/Cost Principles related to direct costs, but they were not effective in preventing noncompliance.

Cost Allocation Plan

The County official certified that the cost allocation plan was true and correct by signing the Certificate of Indirect Cost form without an oversight, review, or approval process. Due to the lack of controls, the cost allocation plan was missing the organization chart and financial report; additionally, bases used in the cost allocation plan were not correct; of the three bases tested, two utilized 2015 data and one did not agree to the supporting documentation.

Direct Costs

The County paid salaries, wages, and benefits to the Prosecutor's office employees who were partially paid from the Child Support Enforcement program; however, their time was not properly documented as required.

These errors resulted in known questioned costs of \$43,000.

Context

The lack of controls and the noncompliance were isolated to the items listed in the *Condition*.

COUNTY AUDITOR
MARSHALL COUNTY
FEDERAL FINDING
(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). . . ."

2 CFR Part 200, Appendix V, part A states in part:

"1. Most governmental units provide certain services, such as motor pools, computer centers, purchasing, accounting, etc., to operating agencies on a centralized basis. Since federally supported awards are performed within the individual operating agencies, there needs to be a process whereby these central service costs can be identified and assigned to benefitted activities on a reasonable and consistent basis. The central service cost allocation plan provides that process. All costs and other data used to distribute the costs included in the plan should be supported by formal accounting and other records that will support the propriety of the costs assigned to Federal awards. . . ."

2 CFR Part 200, Appendix V, part E states in part:

". . . 1. General

All proposed plans must be accompanied by the following: an organization chart sufficiently detailed to show operations including the central service activities of the state/local government whether or not they are shown as benefitting from central service functions; a copy of the Comprehensive Annual Financial Report (or a copy of the Executive Budget if budgeted costs are being proposed) to support the allowable costs of each central service activity included in the plan; and, a certification (see subsection 4.) that the plan was prepared in accordance with this Part, contains only allowable costs, and was prepared in a manner that treated similar costs consistently among the various Federal awards and between Federal and non-Federal awards/activities. . . ."

2 CFR 200.430(i) states in part:

"Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .

COUNTY AUDITOR
MARSHALL COUNTY
FEDERAL FINDING
(Continued)

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Cause

The County had not developed a system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles 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 Allowable Costs/Cost Principles compliance requirement could have resulted in the loss of federal funds to the County.

Questioned Costs

Known questioned costs of \$43,000 related to the direct costs were identified, as detailed in the *Condition*.

Recommendation

We recommended that the County's management establish controls to ensure compliance and comply with the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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



Julie A. Fox
Marshall County Auditor
112 W. Jefferson St., Room 205
Plymouth, IN 46563

Phone: 574-935-8555

Email: julief@co.marshall.in.us

Fax: 574-936-4863

CORRECTIVE ACTION PLAN

FINDINGS: 2018-001

Contact Person Responsible for Corrective Action:

Julie A. Fox, Marshall County Auditor
TX: (574) 935-8555

Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan: Revision of the internal control system to ensure compliance with requirements related to the grant agreement and allowable costs/principles related to the cost allocation plan will include review of the cost allocation plan upon completion with the vendor to verify accuracy in conjunction with the supporting documentation.

Anticipated Completion Date: July 31, 2019

Julie A. Fox
Marshall County Auditor
July 5, 2019

COUNTY AUDITOR
MARSHALL COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 8, 2019, with Julie A. Fox, County Auditor; Kevin G. Overmyer, President of the Board of County Commissioners; Mike Delp, County Commissioner; Stan Klotz, County Commissioner; Judith Stone, President of the County Council, Penny Lukenbill, County Council member; Jack Van Vactor, County Council member; and Jack Rose, County Council member.

COUNTY PROSECUTING ATTORNEY
MARSHALL COUNTY

COUNTY PROSECUTING ATTORNEY
MARSHALL COUNTY
FEDERAL FINDING

FINDING 2018-001

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COUNTY PROSECUTING ATTORNEY
MARSHALL COUNTY
FEDERAL FINDING
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COUNTY PROSECUTING ATTORNEY
MARSHALL COUNTY
FEDERAL FINDING
(Continued)

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Recommendation

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Views of Responsible Officials

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E. Nelson Chipman, Jr.
Prosecuting Attorney of Marshall County
 72nd Judicial Circuit

CORRECTIVE ACTION PLAN

FINDING 2018-001

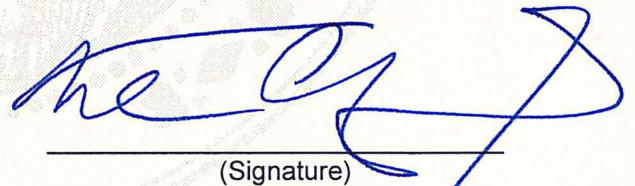
Contact Person Responsible for Corrective Action: E. Nelson Chipman, Jr.
 Contact Phone Number: (574) 935-8636

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: As we continue the transition to a paperless office, the CAP regarding the partial wage support from the Federal Program for the full time Clerk position will be eliminated immediately. The wages for that position will be derived from a source independent of the Federal Program. This may incentivize speed to complete the transition.

Regarding the inadequately documented time spent by the two different deputy prosecutors, the CAP is to formalize that only one deputy prosecutor is assigned as the primary child support enforcement attorney. That deputy shall detail hours and partial hours spent in enforcement related activities including, court appearance, consultations with staff, coordination of the various enforcement activities, review of docket for appropriate actions, and time spent in training. Documentation shall be made at the end of each working day. That deputy prosecutor shall continue to be supervised by the elected Prosecutor and the Chief Deputy Prosecutor.

Anticipated Completion Date: Transition of partial wage support for the full time Clerk position was effective immediately and implemented on the payroll completed on July 3, 2019. Issuance of a directive to the deputy prosecutors was done on July 3, 2019. More thorough documentation of time spent by the deputy prosecutor on Child Support Enforcement related activities shall be ongoing.



 (Signature)

Prosecuting Attorney

 (Title)

July 8, 2019

 (Date)

COUNTY PROSECUTING ATTORNEY
MARSHALL COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 8, 2019, with E. Nelson Chipman, Jr., County Prosecuting Attorney, and Sue Butzer, Office Administrator.