

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

FRANKLIN COUNTY, INDIANA

January 1, 2018 to December 31, 2018



**FILED**  
09/10/2019



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Karla J. Bauman	01-14-17 to 12-31-22
County Treasurer	Veronica A. Voelker	01-01-17 to 12-31-20
Clerk of the Circuit Court	Neysa R. Raible	01-28-17 to 12-31-22
County Sheriff	Kenneth A. Murphy Peter Cates	01-01-15 to 12-31-18 01-01-19 to 12-31-22
County Recorder	Connie Bischoff	01-01-17 to 12-31-20
President of the Board of County Commissioners	Thomas Wilson	01-01-18 to 12-31-19
President of the County Council	Jeff Koch	01-01-18 to 12-31-19



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF FRANKLIN COUNTY, INDIANA

This report is supplemental to our audit report of Franklin 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

July 30, 2019

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COUNTY AUDITOR  
FRANKLIN COUNTY

COUNTY AUDITOR  
FRANKLIN COUNTY  
FEDERAL FINDINGS

***FINDING 2018-001***

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

*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).

The County had established internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the County's SEFA; however, the controls were not effective. The County Auditor prepared and entered federal award information into Gateway. This information was reviewed by the Deputy County Auditor prior to submission; however, material errors were undetected.

*Context*

The SEFA contained the following errors:

1. The Formula Grants for Rural Areas program expenditures were overstated by \$156,557.
2. The Federal Transit Cluster expenditures were omitted, resulting in an understatement of \$29,855.
3. The Highway Planning and Construction Cluster expenditures were understated by \$14,886.
4. Expenditures for one non-federal grant were included, resulting in an overstatement of \$33,352.
5. The Child Support Enforcement program expenditures were understated by \$4,015.
6. Some program titles were incorrect.

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  
FRANKLIN 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 a 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  
FRANKLIN COUNTY  
FEDERAL FINDINGS  
(Continued)

*Cause*

Management had not established an effective 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*.

*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 2018-004**

Subject: Community Development Block Grants/State's program and  
Non-Entitlement Grants in Hawaii - Cash Management  
Federal Agency: Department of Housing and Urban Development  
Federal Program: Community Development Block Grants/State's program  
and Non-Entitlement Grants in Hawaii  
CFDA Number: 14.228  
Federal Award Number and Year (or Other Identifying Number): HD-016-005  
Pass-Through Entity: Indiana Housing and Community Development Authority  
Compliance Requirement: Cash Management  
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 Cash Management compliance requirement.

The County Auditor was responsible for compliance with cash management requirements. There was no oversight, review, or approval process in place to ensure the County was in compliance.

*Context*

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

COUNTY AUDITOR  
FRANKLIN 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 developed a system of internal controls that would have ensured compliance with the Cash Management compliance requirement.

*Effect*

The failure to establish internal controls could have enabled material noncompliance to go undetected.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the County's management establish controls to ensure compliance with the grant agreement and the Cash Management compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2018-005**

Subject: Highway Planning and Construction Cluster - Cash Management, Matching

Federal Agency: Department of Transportation

Federal Program: Highway Planning and Construction

CFDA Number: 20.205

Federal Award Numbers and Years (or Other Identifying Numbers): DES # 1382110,  
DES # 1383347,  
DES # 1400857

Pass-Through Entity: Indiana Department of Transportation

Compliance Requirements: Cash Management; Matching, Level of Effort, Earmarking

Audit Finding: Material Weakness

COUNTY AUDITOR  
FRANKLIN COUNTY  
FEDERAL FINDINGS  
(Continued)

*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 Cash Management and Matching, Level of Effort, Earmarking compliance requirements.

*Cash Management*

One employee was primarily responsible for ensuring that program costs were paid by the entity prior to requesting reimbursement without an oversight, review, or approval process.

*Matching*

One employee was primarily responsible for ensuring that the required matching contributions were met without an oversight, review, or approval process.

*Context*

The lack of 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). . . ."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the Cash Management and Matching, Level of Effort, Earmarking compliance requirements.

*Effect*

The failure to establish an effective internal control system, which include segregation of duties, placed the County at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Questioned Costs*

There were no questioned costs identified.

COUNTY AUDITOR  
FRANKLIN COUNTY  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the County's management establish 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.

**KARLA J. BAUMAN  
FRANKLIN COUNTY AUDITOR  
1010 FRANKLIN AVENUE  
BROOKVILLE, INDIANA 47012**

**CORRECTIVE ACTION PLAN**

***FINDING 2018-001***

Contact Person Responsible for Corrective Action: Karla Bauman  
Contact Phone Number: 765-647-4631

Views of Responsible Official: We concur with the finding. Internal controls were established in regards to reviewing the data prior to SEFA submission, which included review by the department heads involved with the grants. The errors in reporting were due to not understanding what needed to be reported and lack of properly identifying federal grant money from state grant money in the receipting process established.

Description of Corrective Action Plan: Following this audit we now understand how the federal award information should be reported on the Schedule of Expenditures of Federal Awards. We will continue with the internal controls we have in place, including review by the department heads prior to submission. We have already implemented changes to how grant money is receipted in. We clearly identify if the funds or federal or state and if it is combined, it is broken down by source. We have also completed a "Grant Summary" sheet for each grant the county receives, listing the proper names, numbers, etc., as well as whether the grant is federal or state, advance, matching or reimbursement, etc. We are also working with the attorney on establishing written internal controls over grant administration and a general grant policy for use by department heads.

Anticipated Completion Date: Implementation of internal controls is effective immediately in the Auditor's office. Hoping the attorney/commissioners will have the proper written policies in place by December 31, 2019.

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

Franklin County Auditor

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

*7-24-2019*

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

**KARLA J. BAUMAN  
FRANKLIN COUNTY AUDITOR  
1010 FRANKLIN AVENUE  
BROOKVILLE, INDIANA 47012**

**CORRECTIVE ACTION PLAN**

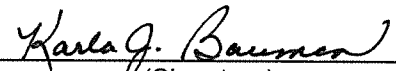
***FINDING 2018-004***

Contact Person Responsible for Corrective Action: Karla Bauman  
Contact Phone Number: 765-647-4631

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Immediately upon receiving notice from the Treasurer that grant funds have been received, the chief deputy will promptly receipt the money in and prepare for disbursement of the funds. The deputy who disburses payments will then verify that the money was received and disbursed within the 5-day timeframe. Both deputies will initial the quietus and claim confirming this has been done.

Anticipated Completion Date: July 1, 2019

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

Franklin County Auditor

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

*7-24-2019*  
\_\_\_\_\_  
(Date)

**KARLA J. BAUMAN  
FRANKLIN COUNTY AUDITOR  
1010 FRANKLIN AVENUE  
BROOKVILLE, INDIANA 47012**

**CORRECTIVE ACTION PLAN**

***FINDING 2018-005***

Contact Person Responsible for Corrective Action: Karla Bauman  
Contact Phone Number: 765-647-4631

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The LPA Voucher is prepared by the County Engineer and submitted for reimbursement. Prior to submission, the Engineer will submit to the Commissioners for review and approval prior to submission for reimbursement.

Anticipated Completion Date: July 30, 2019

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

Franklin County Auditor

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

*7-24-2019*

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

COUNTY AUDITOR  
FRANKLIN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on July 30, 2019, with Karla J. Bauman, County Auditor, and Thomas Wilson, President of the Board of County Commissioners.

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COUNTY TREASURER  
FRANKLIN COUNTY

COUNTY TREASURER  
FRANKLIN COUNTY  
FEDERAL FINDING

***FINDING 2018-002***

Subject: Financial Transactions and Reporting - County Treasurer  
Audit Finding: Material Weakness

*Condition*

There were several deficiencies in the internal control system of the County Treasurer related to cash and investments and receipts.

The County Treasurer was solely responsible for performing monthly bank reconciliations. There were no documented controls in place to prevent, or detect and correct, errors in cash and investments, such as an oversight, review, or approval process.

The County Treasurer had not separated incompatible activities related to the receipt process. There were no documented controls in place such as an oversight, review, or approval process over the receipting, depositing, and posting of receipts.

*Context*

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

*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:

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COUNTY TREASURER  
FRANKLIN 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. . . ."

*Cause*

Management of the County had not established a proper system of internal controls over financial transactions and reporting.

*Effect*

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

*Recommendation*

We recommended that the County's management establish a system of internal controls, including proper segregation of duties, over 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.

# Franklin County Treasurer

Veronica Voelker

1010 Franklin Ave.  
Brookville, Indiana 47012  
treasurer@franklincounty.in.gov  
Work: 765-647-5121  
Fax: 765-647-0437

## CORRECTIVE ACTION PLAN

### **FINDING 2018-002**

Contact Person Responsible for Corrective Action: Veronica Voelker  
Contact Phone Number: (765) 647-5121

Views of Responsible Officials: We concur with the finding.

#### Description of Corrective Action Plan:

The procedures that are implemented in the Franklin County Treasurer's Office are the same procedures that have been in place for some time. There is a First Deputy and Treasurer that share the responsibility and duties of balancing, receipts and bank deposits. But have changed some procedures with initializing drawer balancing, cashbook, daily work, check register and etc.

Presently in our office one person balances the drawer and does the bank deposit. The second person verifies the bank deposit is correct before taking to the Financial Institution. When everything is balance it will be initialized by each person.

Cashbook is done by the First Deputy and Treasurer's Ledger is done by the Treasurer. We both have to balance to the penny. Once balanced, then make sure it balances to Auditor's Financial side. This is done daily. Once everything is balanced it will be initialized by each person.

Monthly Financial and Bank Recon is done between First Deputy and Treasurer. Once verified and balanced both will initialized.

Due to the limited staff, all office functions are shared until we have more staff.

Anticipated Completion Date: 7-30-19

Veronica Voelker  
(Signature)

Treasurer  
(Title)

7-30-19  
(Date)

COUNTY TREASURER  
FRANKLIN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on July 30, 2019, with Veronica A. Voelker, County Treasurer; Karla J. Bauman, County Auditor; and Thomas Wilson, President of the Board of County Commissioners.

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CLERK OF THE CIRCUIT COURT  
FRANKLIN COUNTY

CLERK OF THE CIRCUIT COURT  
FRANKLIN COUNTY  
FEDERAL FINDING

***FINDING 2018-003***

Subject: Financial Transactions and Reporting - Clerk of the Circuit Court  
Audit Finding: Material Weakness

*Condition*

There were several deficiencies in the internal control system of the Clerk of the Circuit Court (Clerk) related to cash and investments and disbursements.

The Clerk was solely responsible for performing monthly bank reconciliations and for all aspects of disbursements. There were no documented controls in place, such as an oversight, review, or approval process, to prevent, or detect and correct, errors in cash and investments or disbursements.

*Context*

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

*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

CLERK OF THE CIRCUIT COURT  
FRANKLIN 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. . . ."

*Cause*

Management had not established a proper system of internal controls over financial transactions and reporting.

*Effect*

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

*Recommendation*

We recommended that the County's management establish a system of internal controls, including segregation of duties, 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.

**NEYSA R. RAIBLE**  
FRANKLIN CIRCUIT COURT CLERK  
459 Main Street  
Brookville, IN 47012  
[nraible@franklincounty.in.gov](mailto:nraible@franklincounty.in.gov)



PHONE 765-647-5111  
FAX 765-647-3224

### Corrective Action Plan

FINDING 2018-003

Contact Person Responsible for Corrective Action: Neysa R. Raible  
Contact Phone Number: 765.647.5111

Views of the Responsible Official: We concur with the finding.

#### Description of Corrective Action Plan:

The current internal control system in the Franklin Circuit Court Clerk's Office will remain in place. The Clerk and First Deputy are the only ones that have access to the financial manager in Odyssey. We have been performing and reviewing the monthly reconciliation and the daily and monthly disbursements. To improve our internal control system, we will continue to review and approve these documents. Our new policy is to review, approve and both sign off on the monthly reconciliation, daily and monthly disbursements to provide written documentation that will improve the internal control system in the Clerk's Office.

Anticipated Completion Date: July 29, 2019

Neysa R Raible  
Signature  
Clerk  
Title  
7/29/19  
Date

CLERK OF THE CIRCUIT COURT  
FRANKLIN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on July 30, 2019, with Neysa R. Raible, Clerk of the Circuit Court; Karla J. Bauman, County Auditor; and Thomas Wilson, President of the Board of County Commissioners.