

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

HOWARD COUNTY, INDIANA

January 1, 2018 to December 31, 2018



FILED
09/19/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Martha Lake	01-01-17 to 12-31-20
County Treasurer	Weston Reed	01-01-17 to 12-31-20
Clerk of the Circuit Court	Kimmerly Wilson Debbie Stewart	01-01-15 to 12-31-18 01-01-19 to 12-31-22
County Sheriff	Steven Rogers Jerry Asher	01-01-15 to 12-31-18 01-01-19 to 12-31-22
County Recorder	Brook Cleaver Jennifer Jack	01-01-15 to 03-31-18 04-01-18 to 12-31-22
President of the Board of County Commissioners	Paul Wyman	01-01-18 to 12-31-19
President of the County Council	Richard M. Miller James T. Papacek	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 HOWARD COUNTY, INDIANA

This report is supplemental to our audit report of Howard 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

August 19, 2019

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COUNTY AUDITOR
HOWARD COUNTY

COUNTY AUDITOR
HOWARD COUNTY
FEDERAL FINDING

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).

Although the County had established internal controls over the federal award information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the SEFA, the controls failed to detect material errors contained in the SEFA.

Context

The SEFA presented for audit overstated Child Support Enforcement expenditures by \$102,490.

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.

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 CRF 200.508 states in part

"The auditee must . . .

(b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with section 200.510 Financial statements . . . "

COUNTY AUDITOR
HOWARD COUNTY
FEDERAL FINDING
(Continued)

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 award years, the auditee may list the amount of Federal awards expended for each 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 sub division 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 percent de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

Management had not established a system of internal control to ensure 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*.

COUNTY AUDITOR
HOWARD COUNTY
FEDERAL FINDING
(Continued)

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.



HOWARD COUNTY AUDITOR
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www.howardcountyin.gov

Martha Lake
Auditor

Laura Johnson
Chief Deputy

CORRECTIVE ACTION PLAN

FINDING 2018-001 (Auditor Assigned Reference Number)
 Contact Person Responsible for Corrective Action: Martha Lake
 Contact Phone Number: 765-456-2804

Views of Responsible Official:

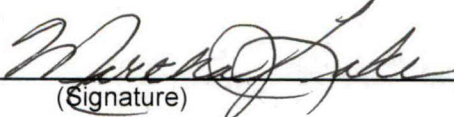
While we concur with this finding, we would like to give attention to the fact that dating back to at least 2011, the Title IV-D incentive funds have been reported on the SEFA as a reimbursement grant along with all other Title IV-D funds with no audit finding or other notification of this having been in error. Since reimbursement grant expenditures are to be reported as the same amount as grant receipts, all 2018 Title IV-D grants, including incentive funds, were reported accordingly. The overstatement referred to in the finding does not represent any errors in the County's accounting system. It instead reflects the difference between reporting requirements for advance grants and reimbursement grants on the SEFA.

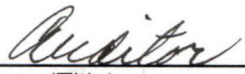
Description of Corrective Action Plan:


In future years, incentive funds will be reported as advance grants on the SEFA and actual expenditures from the county's accounting records will be reported rather than reporting amounts equal to the receipts as is required for reimbursement grants.

Anticipated Completion Date:

This change will go into effect with the filing of the 2019 Annual Financial Report.


 (Signature)


 (Title)


 (Date)

COUNTY AUDITOR
HOWARD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 19, 2019, with Martha Lake, County Auditor; Paul Wyman, President of the Board of County Commissioners; James T. Papacek, President of the County Council; and Alan D. Wilson, County Attorney.