

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

CLAY COUNTY, INDIANA

January 1, 2019 to December 31, 2019



**FILED**  
11/06/2020



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i> .....	3-4
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance .....	5-7
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards .....	10-11
Notes to Schedule of Expenditures of Federal Awards.....	12
Schedule of Findings and Questioned Costs.....	13-18
Auditee-Prepared Document:	
Corrective Action Plan .....	20-23
Other Reports.....	24

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Jennifer M. Flater	01-01-19 to 12-31-20
County Treasurer	Debra James	01-01-19 to 12-31-20
Clerk of the Circuit Court	Amy E. Jordan	01-01-19 to 12-31-20
County Sheriff	Paul Harden	01-01-19 to 12-31-20
County Recorder	(Patricia) Nicole Keller	01-01-19 to 12-31-20
President of the Board of County Commissioners	Paul R. Sinderson Bryan Allender Marty Heffner	01-01-19 to 06-30-19 07-01-19 to 06-30-20 07-01-20 to 12-31-20
President of the County Council	Larry Moss	01-01-19 to 12-31-20



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF CLAY COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of Clay County (County), for the year ended December 31, 2019, and the related notes to the financial statement, which collectively comprise the County's financial statement and have issued our report thereon dated October 22, 2020, wherein we noted the County followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statement, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001.

***Clay County's Response to Findings***

The County's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

October 22, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

TO: THE OFFICIALS OF CLAY COUNTY, INDIANA

**Report on Compliance for Each Major Federal Program**

We have audited Clay County's (County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2019-003. Our opinion on each major federal program is not modified with respect to these matters.

The County's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2019-002 and 2019-003, that we consider to be material weaknesses.

The County's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statement of the County, as of and for the year ended December 31, 2019, and the related notes to the financial statement. We issued our report thereon dated October 22, 2020, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.

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

October 22, 2020

(This page intentionally left blank.)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the County. The schedule and notes are presented as intended by the County.

CLAY COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended December 31, 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Agriculture</u>					
WIC Special Supplemental Nutrition Program for Women, Infants, and Children Peer Counselor FY19 WIC FY 2017	Indiana State Department of Health	10.557	A70-5-070632 A70-5-070632	\$ - -	\$ 6,038 131,580
Total - WIC Special Supplemental Nutrition Program for Women, Infants, and Children				-	137,618
Total - Department of Agriculture				-	137,618
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster Highway Planning and Construction Bridge Inspection 2018-2021	Indiana Department of Transportation	20.205	DES 1500229	-	157,146
Total - Highway Planning and Construction Cluster				-	157,146
Interagency Hazardous Materials Public Sector Training and Planning Grants CFDA EMPG RECORDERS GRANT HL SEC HMEP (HAZ MAT) 2017	Indiana Department of Homeland Security	20.703	HM-HMP-0548-160100 HM-HMP-0548-160100	- -	4,560 13,771
Total - Interagency Hazardous Materials Public Sector Training and Planning Grants				-	18,331
Total - Department of Transportation				-	175,477
<u>Department of Health and Human Services</u>					
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Bio T & Emer Prep FY2016	Indiana Department of Health	93.074	EMC-2018-EP-00005	-	13,904

CLAY COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended December 31, 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
Child Support Enforcement	Indiana Department of Child Services	93.563			
Title IV-D Prosecutor Expenditures			FY 2019	-	147,374
Title IV-D Clerk Expenditures			FY 2019	-	24,001
Co General IV-D Incentive			FY 2019	-	3,100
Prosecutor IV-D Incentive			FY 2019	-	22,283
Title IV-D Indirect Cost			FY 2019	-	49,100
Clerk IV-D Incentive			FY 2019	-	10,128
Total - Child Support Enforcement				-	255,986
TANF Cluster					
Temporary Assistance for Needy Families TANF GRANT (CCCC)	Indiana State Department of Health	93.558	22893-A1	-	362,623
Total - TANF Cluster				-	362,623
Total - Department of Health and Human Services				-	632,513
<u>Department of Homeland Security</u>					
Emergency Management Performance Grants HL SEC C44P-5-701B	Indiana Department of Homeland Security	97.042	HL Sec C44P-3-242B	-	19,319
Total - Department of Homeland Security				-	19,319
<b>Total federal awards expended</b>				<b>\$ -</b>	<b>\$ 964,927</b>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CLAY COUNTY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Summary of Significant Accounting Policies**

*A. Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the County under programs of the federal government for the year ended December 31, 2019. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the County, it is not intended to and does not present the financial position of the County.

*B. Other Significant Accounting Policies*

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

**Note 2. Indirect Cost Rate**

The County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

CLAY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
93.563	Highway Planning and Construction Cluster Child Support Enforcement	Unmodified Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? no

**Section II - Financial Statement Findings**

**FINDING 2019-001**

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

*Condition and Context*

The County had not established effective 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 Schedule of Expenditures of Federal Awards (SEFA). The Deputy Auditor prepared the ledger reports, and the County Auditor reviewed the ledgers and input the federal award information into Gateway. The information was reviewed by the Payroll Deputy prior to submission; however, this internal control was not effective and failed to detect material errors.

CLAY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The SEFA presented for audit contained the following errors:

1. The CFDA # 93.563 - Child Support Enforcement expenditures were overstated by \$54,610.
2. Not all CFDA numbers, program names, and identifying numbers were correct or listed.

Audit adjustments were proposed, accepted by the County, and made to the SEFA presented in this report.

*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. . . .

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:

CLAY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (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.
- (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*

The County's management had not implemented effective internal controls that would have ensured proper reporting of the SEFA.

*Effect*

Without a proper system of internal controls in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition and Context*.

*Views of Responsible Officials*

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

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2019-002**

Subject: Child Support Enforcement - Internal Controls  
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 2019  
Pass-Through Entity: Indiana Department of Child Services  
Compliance Requirements: Allowable Activities, Cash Management, Period of Performance  
Audit Finding: Material Weakness

CLAY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition and Context*

An effective internal control system was not in place at the County to ensure compliance with requirements related to the grant agreement and the Allowable Activities, Cash Management, and Period of Performance compliance requirements. The County had not established adequate segregation of duties over these compliance requirements.

The lack of internal 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*

The County's management had not developed a system of internal controls to ensure compliance with the compliance requirements listed above.

*Effect*

The failure to establish an effective internal control system placed the County at risk of noncompliance with the grant agreement and the compliance requirements listed above. 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.

*Recommendation*

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

CLAY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**FINDING 2019-003**

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 2019  
Pass-Through Entity: Indiana Department of Child Services  
Compliance Requirement: Allowable Costs/Cost Principles  
Audit Findings: Material Weakness, Other Matters

*Condition and Context*

Those in charge of administering the Child Support Enforcement (IV-D) program in the Office of the Prosecuting Attorney (County Prosecutor's office) had not established an effective internal control system related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement to detect and correct material errors.

The County Prosecutor's office records indicated that the Deputy Prosecutor had completed Personal Activity Reports, which detailed 103 hours worked on IV-D activities for \$4,047 in compensation; however, the Prosecutor incentive fund paid 260 hours, or \$10,276, of the Deputy Prosecutor's compensation. Therefore, the Prosecutor's incentive fund was over-charged by \$6,229. In addition, the compensation for the remaining hours worked by the Deputy Prosecutor were split between the General fund and the Prosecutor Deferral Fee fund. The portion of the Deputy Prosecutor's salary paid from the General fund totaled \$31,210. The County Prosecutor's office processed a request for reimbursement for the General fund portion of the Deputy Prosecutor's salary, and subsequently received reimbursement of \$20,599. The total overcharged to the IV-D program was \$26,828.

The lack of internal controls and noncompliance were systemic issues in the County Prosecutor's Office 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 200.430(h)(8)(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:

CLAY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- 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);
- iv. Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
- v. Comply with the established accounting policies and practices of the non-Federal entity (See paragraph (h)(1)(ii) above for treatment of incidental work for IHEs.); and  
...
- 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's management had not developed a system of internal controls that segregated key functions. Those in charge of administrating the Child Support Enforcement Program in the County Prosecutor's office were unaware of the allowable costs requirements for the employee who did not work 100 percent on program activities.

*Effect*

The failure to establish an effective internal control system caused the County to not be in compliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system also allowed noncompliance with the compliance requirement 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*

Known questioned costs of \$26,828 were identified as detailed in the *Condition and Context*.

*Recommendation*

We recommended that the County's management establish internal 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.

AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the County. The document is presented as intended by the County.



JENNIFER M FLATER  
AUDITOR OF CLAY COUNTY  
609 EAST NATIONAL AVE  
ROOM 105  
BRAZIL IN 47834  
812-448-9097

CORRECTIVE ACTION PLAN

***FINDING 2019-001***

Contact Person Responsible for Corrective Action: Jennifer M Flater, Clay County Auditor

Contact Phone Number: 812-448-9001

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Schedule of Expenditures of Federal Awards

We will work on insuring the information on the SEFA is accurate and will be adding an additional step in the process to verify all numbers to make internal controls more effective. This will be implemented on the next annual financial report effective March 1, 2021.

Anticipated Completion Date: March 1, 2021.

*Amy E. Jordan*  
Clerk, Clay Circuit/Superior Court  
609 E. National Avenue  
Room 209  
Brazil, Indiana 47834  
Phone (812)448-9025  
[amy.jordan@claycountyin.gov](mailto:amy.jordan@claycountyin.gov)

## CORRECTIVE ACTION PLAN

### **Finding 2019-002**

Contact Person Responsible for Corrective Action: Amy E. Jordan, Clay County Clerk

Contact Phone Number: (812) 448-9025

Views of Responsible Official: We concur with the finding.

#### Description of the Corrective Action Plan:

The Clerk's Office will establish and maintain an effective and segregated internal control system.

The Clerk's Office will segregate duties of internal control by having the First Deputy in the Circuit Court Clerk's Office check the hours of the PAR sheets for the Circuit Clerk's Office. The Clerk will then review the hours and sign off and date the PAR sheets. The Clerk will recalculate the claim sheet that Malinowski Consulting INC prepares then sign and date the claim sheet. The Clerk will sign and date additional pages of the report.

Anticipated Completion Date: December, 2020



## Office of the Prosecuting Attorney 13th Judicial Circuit

**Emily B. Clarke**, Clay County Prosecutor  
609 East National Avenue, Room 326, Brazil, Indiana 47834 Phone:  
(812) 448-9028 / Fax: (812) 443-1019

### CORRECTIVE ACTION PLAN

#### **FINDING 2019-002**

Contact Person Responsible for Corrective Action: Emily B. Clarke, Prosecutor  
Contact Phone Number: 812-448-9028

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Allowable Activities, Cash Management, Period of Performance

We will begin immediately having the Prosecutor sign off on payroll vouchers and claim vouchers prepared by the IV-D Administrator instead of using her stamp. Any PAR's will be prepared by the individual employee and the Prosecutor will review them and initial and date the PAR.

Anticipated Completion Date: 10/29/2020



## Office of the Prosecuting Attorney 13th Judicial Circuit

**Emily B. Clarke**, Clay County Prosecutor  
609 East National Avenue, Room 326, Brazil, Indiana 47834 Phone:  
(812) 448-9028 / Fax: (812) 443-1019

### CORRECTIVE ACTION PLAN

#### **FINDING 2019-003**

Contact Person Responsible for Corrective Action: Emily B. Clarke, Prosecutor  
Contact Phone Number: 812-448-9028

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Allowable Cost/Cost Principles

We have hired a consulting company to help us with the adjustments on the over claiming for 2019 what we have over claimed in 2020 as well. They will enforce proper procedures for all future claiming and we will work with them diligently to correct these errors. We will be changing what funds we pay the Deputy Prosecutor out of as well.

Anticipated Completion Date: 10/15/2020

## OTHER REPORTS

In addition to this report, other reports may have been issued for the County. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.