

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

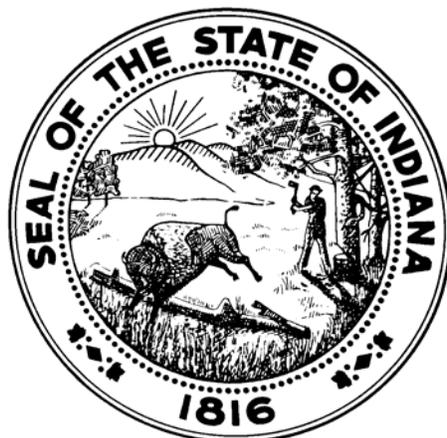
EXAMINATION REPORT

OF

COUNTY SHERIFF

MONTGOMERY COUNTY, INDIANA

January 1, 2006 to December 31, 2006



**FILED**

05/03/2007



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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Sheriff	Dennis Rice	01-01-03 to 12-31-06
	Luther Blanton	01-01-07 to 12-31-10
President of the County Council	Terry Hockersmith	01-01-06 to 12-31-06
	Don Peterson	01-01-07 to 12-31-07
President of the Board of County Commissioners	Phillip Bane	01-01-06 to 12-31-06
	William McCormick	01-01-07 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF MONTGOMERY COUNTY

We have examined the records of the County Sheriff for the period from January 1, 2006 to December 31, 2006, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Examination Results and Comments. The financial transactions of this office are reflected in the Annual Report of Montgomery County for the year 2006.

STATE BOARD OF ACCOUNTS

March 29, 2007

COUNTY SHERIFF  
MONTGOMERY COUNTY  
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS- SHERIFF'S TRUST

The following deficiencies relating to the recordkeeping were present during our period of examination:

1. Record balances were not reconciled to depository balances.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

2. There were a considerable number of posting errors. These errors included deposits not receipted, receipts not posted and receipts not recorded in the proper amounts. Receipt numbers and check numbers were recorded improperly. There were significant mathematical errors. End of month totals were not calculated and therefore were not carried forward to the next month.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

3. Postings to the sheriff's cash book were incomplete for the examination period; postings ended December 6, 2006.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

RECONCILIATION OF SUBSIDIARY LEDGERS

There were no postings to the sheriff's cash trust ledger after October 2006. The sheriff's cash book indicated items which should have been posted in the trust ledger. The trust ledger (subsidiary record) does not reconcile to the control record (sheriff's cash book) at year end.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

CONDITION OF RECORDS - SHERIFF'S COMMISSARY

The following deficiencies relating to the recordkeeping of the Sheriff's Commissary account were present during our period of examination:

1. Record balances were not reconciled to depository balances during the examination period. At the end of the examination period the sheriff's commissary records did not reconcile to the bank account.

COUNTY SHERIFF  
MONTGOMERY COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

2. There were a number of posting errors. These errors included checks and receipts not recorded in the proper amounts and voided checks not recorded.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

3. Check stubs, check books, receipts books and cancelled checks were in disarray.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

INTERNAL CONTROLS - SHERIFF'S INMATE TRUST

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient.

Inmate trust checks were signed and were in a printer in a common area. Upon release of an inmate, jail officers were to process a disbursement to the inmate of any balance in their commissary account. Jail officers were utilizing a common user ID and password for transaction posting in the accounting system. This ID allows complete access to all set up and administrative functions within the system.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

Checks and receipts should be prepared timely and not signed in advance of the event or transaction. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

TIMELY RECORDKEEPING - SHERIFF'S INMATE TRUST

We noted instances of up to 42 days from the original date of receipt until entry on the inmate commissary record. Complaints from 5 inmates whose monies had not been posted to their commissary account were found to be valid.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

COUNTY SHERIFF  
MONTGOMERY COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

CONDITION OF RECORDS - SHERIFF'S INMATE TRUST

The following deficiencies relating to the recordkeeping of the inmate trust fund were present during the examination period:

1. Record balances were not reconciled to depository balances.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

2. There were a considerable number of posting errors. These errors included checks not recorded in the proper amounts and voided items not properly recorded.
3. Receipts were not issued sequentially.
4. Checks were not issued sequentially.
5. Checks numbers issued were not recorded properly.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

6. The unit utilizes pre-numbered laser checks. The unit's staff did not load the checks in the printer sequentially therefore the check number issued by their computer system did not correspond with the preprinted check number. This created a gap in the examination trail. The check numbers clearing the bank did not coincide with the check numbers per the check register.

The computerized accounting system must maintain electronic audit trails sufficient to trace all transactions from original source of entry into the system, through all system processing, and to the results produced by the system. The audit trails must also maintain sufficient information to trace all transactions from the final results produced by the system, through all system processing, and to the original source of entry into the system. These audit trails must be protected from modification and deletion. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 15)

CONDITION OF RECORDS - WORK RELEASE

Financial records presented for examination were incomplete and not reflective of the activity of the Work Release Fund. The records presented did not provide sufficient information to examine or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions. The items presented were 2006 bank statements for August, September, November, and December, one receipt book for the time period of December 29, 2005 through March 17, 2006. No check duplicates, stubs or check register were presented for examination.

COUNTY SHERIFF  
MONTGOMERY COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

CONDITION OF RECORDS - SHERIFF'S PENSION FUND

Financial records presented for examination were incomplete and not reflective of the activity of the Sheriff's Pension Trust Fund. The records presented did not provide sufficient information to examine or establish receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

OVERDRAFT FEES - SHERIFF'S INMATE TRUST

During the examination period, a total of \$682 in overdraft and insufficient funds fees were paid by the unit.

The cash balance of any fund may not be reduced below zero. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 14)

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

PUBLIC RECORDS RETENTION

Complete records were not presented for examination. The following items were either partially or entirely missing:

1. duplicate checks or check registers (inmate trust, sheriff's cash and work release)
2. outstanding check lists (inmate trust, sheriff's commissary, sheriff's cash and work release)
3. complete receipt documentation (sheriff's cash, work release)
4. inmate account documentation prior to implementation of accounting system (inmate trust)

COUNTY SHERIFF  
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EXAMINATION RESULTS AND COMMENTS  
(Continued)

5. bank statements (sheriff's cash, work release and sheriff's pension trust)
6. bank reconcilements (inmate trust, sheriff's commissary, sheriff's cash and work release)
7. cancelled checks (work release)

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

DAILY DEPOSITS

In numerous instances, receipts were deposited later than the next business day. There were no deposits in the month of July.

Indiana Code 5-13-6-1(c) states in part: "All local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

PRESCRIBED FORMS

The following prescribed or approved forms were not always in use, General Check 356. Checks were ordered through the bank and the fees were charged to the inmate trust account.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

COUNTY SHERIFF  
MONTGOMERY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on March 22, 2007, with Luther Blanton, Sheriff; and Dennis Rice, former Sheriff. The officials concurred with our examination findings.