

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

POSEY COUNTY, INDIANA

January 1, 2014 to December 31, 2015



FILED
10/21/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Nicholas Wildeman Kyle J. Haney (Vacant) Sarah Beth Meighen	01-01-11 to 01-12-14 01-13-14 to 01-11-16 01-12-16 to 01-24-16 01-25-16 to 12-31-18
County Treasurer	Justin W. White	01-01-13 to 12-31-16
Clerk of the Circuit Court	Betty B. Postletheweight	01-01-11 to 12-31-18
County Sheriff	Gregory R. Oeth	01-01-11 to 12-31-18
County Recorder	Mary Rhoades	10-01-13 to 12-31-18
President of the Board of County Commissioners	Carl A. Schmitz	01-01-14 to 12-31-16
President of the County Council	Robert Gentil	01-01-14 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF POSEY COUNTY, INDIANA

This report is supplemental to our examination report of Posey County (County), for the period from January 1, 2014 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement Examination Report of the County, which provides our opinion on the County's financial statement. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Examination Results and Comments, incorporated within this report, was not verified for accuracy.

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

September 1, 2016

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COUNTY AUDITOR
POSEY COUNTY

COUNTY AUDITOR
POSEY COUNTY
EXAMINATION RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

The financial information entered into the Annual Financial Reports (AFR) on Gateway was used to compile the financial statement. The AFR for 2014 and 2015 contained numerous errors and did not properly reflect the financial activity of Posey County. In addition to miscellaneous reporting errors, the errors included:

1. The receipts, disbursements, and balances of the After Settlement Collection fund, the Jail Commissary fund, and the Clerk's Trust fund were not included in the AFR for 2014 or 2015.
2. Investments were not included in the cash and investment balances and investment purchases and sales were included in the cash receipts and cash disbursements in the AFR for 2014 and 2015.
3. For the year 2015, cash receipts and cash disbursements of 13 funds were omitted from the AFR.

As a result, following misstatements were found:

1. Receipts were understated by \$1,526,873 and \$51,188,764 in 2014 and 2015, respectively.
2. Disbursements were understated by \$546,475 and \$50,475,447 in 2014 and 2015, respectively.
3. The cash and investment balance was understated by \$1,337,102 and \$1,805,476 as of December 31, 2014 and 2015, respectively.

Examination adjustments were recommended, accepted by the Officials, and made to the financial statement presented in the Financial Statement Examination Report.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

COUNTY AUDITOR
POSEY COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Fund	Years	Excess Amount Expended
Motor Vehicle Highway	2014	\$ 477,280
Local Road and Street	2014	12,772
Mental Health	2014	672
CEDIT County Share	2014	593,299
Statewide 911	2014	376,991
Mental Health	2015	8,790

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

SUPPORTING DOCUMENTATION

There were the following disbursements that did not include supporting documentation to support the purchase.

Date	Amount	Payee
03-18-14	\$ 3	Office Depot
04-15-14	33	Lamar Haley
12-04-14	158	Susan Harrison
01-20-15	57	Office Depot
02-17-15	825	Wabash Valley Service Company
03-03-15	4	Office Depot
11-09-15	<u>885</u>	Clerk/Treasurer of Poseyville
Total	<u>\$ 1,965</u>	

Due to the lack of supporting information, we could not verify the purpose of the disbursements.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination 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 County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR
POSEY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 1, 2016, with Sarah Beth Meighen, County Auditor; Carl A. Schmitz, President of the Board of County Commissioners; and Robert Gentil, President of the County Council.

COUNTY SHERIFF
POSEY COUNTY

COUNTY SHERIFF
POSEY COUNTY
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances for the Jail Commissary fund to the bank account balances were conducted; however, the reconciliations did not reconcile to the financial records. The reconciled bank balance exceeded the balance in the financial records by \$530 and \$122 as of December 31, 2014 and 2015, respectively.

Indiana Code 5-13-6-1(e) states: "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."

CONDITION OF RECORDS

There was the following deficiency in the internal control system of the County Sheriff related to financial transactions and reporting of the Inmate Trust Fund. There were no controls in place to ensure that financial records including the receipts, disbursements, and balances of the inmate trust were maintained or reported in the Annual Financial Report.

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

Some of the deficiencies included:

1. All inmate transactions were handled in cash and were not recorded in a detailed ledger of receipts, disbursements, and balances. All inmate cash was maintained onsite and not deposited to a bank account.
2. Receipts were written for deposits to inmate accounts, but the duplicate receipts were filed with the inmate's files. There was not a system in place to account for or accumulate the receipts for each year. Some receipts were requested for examination, but were not presented.
3. A detailed list of each inmates account balance was not available for December 31, 2014 or 2015. Account balances are only available in real time and are not printed and retained for examination.
4. The only record of the amounts returned to inmates upon release is filed in the inmate's file so it would be difficult to determine how much was refunded in any month or year.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

Indiana Code 36-8-10-22 states:

- "(a) This section applies to any county that operates a county jail.
- (b) The sheriff shall hold in trust separately for each inmate any money received from that inmate or from another person on behalf of that inmate.

COUNTY SHERIFF
POSEY COUNTY
EXAMINATION RESULTS AND COMMENTS

- (c) If the inmate or his legal guardian requests a disbursement from the inmate's trust fund, the sheriff may make a disbursement for the personal benefit of the inmate, including but not limited to a disbursement to the county jail commissary.
- (d) Upon discharge or release of an inmate from the county jail, the sheriff shall pay to that inmate or his legal guardian any balance remaining in his trust fund.
- (e) If an inmate is found guilty of intentionally destroying or losing county property after a hearing under IC 11-11-5-5, the sheriff may disburse from the inmate's trust funds or commissary account sums of money as reimbursement to the county for the inmate's intentional destruction or loss of county property, including but not limited to clothing, bedding, and other nondisposable items issued by the county to the inmate. Before disbursing money under this subsection, the sheriff shall adopt rules to administer this procedure.
- (f) The sheriff shall maintain a record of each trust fund's receipts and disbursements. The state board of accounts shall prescribe the form for this record."

In order to comply with these provisions, the sheriff may post the receipts and disbursements through the Sheriff's Cash Book, through the trust column. County Form No. 133 for receipts and County Form No. 141 for disbursements would be used and General Form No. 358 for each individual inmate trust fund. An alternate method would be to use General Form No. 358, Ledger of Receipts, Disbursements and Balances as a control and also for each individual inmate trust fund. The balances from the total individual ledger must be equivalent to the control ledger on any given date. (The County Bulletin And Uniform Compliance Guidelines Volume 377, Page 4)

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 of Indiana, Chapter 1)

DEPOSITS

All funds belonging to the Inmate Trust Fund were maintained in cash. No deposits were made in 2014 or 2015.

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 ..."

CASH DISBURSEMENTS

All disbursements from the Inmate Trust Fund were made using cash collections.

Disbursements, other than proper petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY SHERIFF
POSEY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 1, 2016, with Gregory R. Oeth, Sheriff; Trinity A. Becker, Secretary; Sarah Beth Meighen, County Auditor; Carl A. Schmitz, President of the Board of County Commissioners and Robert Gentil, President of the County Council.