

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ADAMS COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED
07/27/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Tony L. Mellencamp	01-01-22 to 12-31-23
County Treasurer	Edgar B. Dyer	01-01-22 to 12-31-23
Clerk of the Circuit Court	Shelly M. Brite	01-01-22 to 12-31-23
County Sheriff	Daniel L. Mawhorr	01-01-22 to 12-31-23
County Recorder	Thomas R. Krueckeberg	01-01-22 to 12-31-23
County Home Administrator	Duane Blankenship (Vacant) Vivyan Lloyd (Vacant)	01-01-22 to 04-28-23 04-29-23 to 05-26-23 05-27-23 to 06-16-23 06-17-23 to 07-17-23
President of the Board of County Commissioners	Stan Stoppenhagen	01-01-22 to 12-31-23
President of the County Council	Dennis Bluhm	01-01-22 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF ADAMS COUNTY, INDIANA

This report is supplemental to the audit report of Adams County (County), for the period from January 1, 2022 to December 31, 2022. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the County. It should be read in conjunction with the Financial Statement Audit Report of the County, which provides our opinions 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 Audit 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 Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

July 17, 2023

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COUNTY HOME
ADAMS COUNTY

COUNTY HOME
ADAMS COUNTY
AUDIT RESULTS AND COMMENTS

BACKGROUND

The County Home collects room and board from residents. Collections are to be given to the County Home Office Manager, receipted in, and deposited in the bank. The County Home Office Manager contacted the County Human Resource Officer regarding a discrepancy. The software vendor discovered and reported to the County Sheriff discrepancies between Reports of Collections and amounts deposited in the bank.

On March 21, 2023, the County Prosecutor notified the Indiana State Board of Accounts (SBOA) regarding a shortage in the County Home ledger, and an investigation being conducted by the Indiana State Police (ISP).

The SBOA examined records of the County Home Resident Ledger and the ISP report related to the incident. The results of our investigation are described in the following comments.

COUNTY HOME ROOM AND BOARD MISAPPROPRIATED

Condition and Context

During the regular annual audit, the County Human Resource Officer disclosed to field examiners that fraud had occurred at the County Home. An investigation by the ISP was conducted and their report was filed initially on March 31, 2023.

The ISP report stated that on three occasions, Duane "Mark" Blankenship (Blankenship), the former County Home Administrator, allegedly accompanied a resident to the resident's personal bank to withdraw funds which were intended to be delivered to the County Home for payment of the resident's monthly room and board. The funds withdrawn from the personal bank account were collected by Blankenship, but were not properly delivered to the County Home Office Manager, and, therefore, not receipted in the Residents' Ledger to document these collections. As a result, the County incurred a loss in the amount of \$3,187 for room and board due September 15, 2022 (\$1,031), November 15, 2022 (\$1,031), and March 15, 2023 (\$1,125).

In a supplemental ISP report dated April 18, 2023, the ISP documented that \$3,100 was repaid by Blankenship to the County Home on April 3, 2023.

The loss was properly reported to the SBOA and the local County Prosecutor as required by Indiana Code 5-11-1-27(l).

We performed tests of records, including verification of reconcilements of the County Home Resident Ledger through December 31, 2022, and found no evidence of additional missing funds.

Criteria

Units have a responsibility to collect amounts owed to the unit pursuant to procedures authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

This case has been forwarded to the County Prosecutor's Office.

COUNTY HOME
ADAMS COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

COUNTY HOME PETTY CASH MISAPPROPRIATED

Condition and Context

During the regular annual audit, the County Human Resource Officer disclosed to field examiners that fraud had occurred at the County Home. An investigation by the ISP was conducted and their report was filed on March 31, 2023.

On February 10, 2023, the County Home Office Manager was reconciling the petty cash boxes and discovered a note that stated, "IOU \$200 on 2/20/23 Mark." Mark was Duane "Mark" Blankenship, the County Home Administrator at that time. The report further states that upon being questioned about the note, Blankenship stated "he just needed to borrow it for a bit but would have it back in a couple of weeks." As a result, the County incurred a loss of \$200 for stolen petty cash.

The ISP report documented that the \$200 was repaid by Blankenship to the County Home on March 27, 2023.

The loss was properly reported to the SBOA and the local County Prosecutor as required by Indiana Code 5-11-1-27(I).

Criteria

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

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

This case has been forwarded to the County Prosecutor's Office.

INTERNAL CONTROLS

Condition and Context

Internal controls were not implemented over the cash, receipts, and disbursements of the financial transactions of the County Home. The failure to establish these controls enabled errors to occur and remained undetected.

Cash

Bank reconciliations of the County Home Residents Ledger were performed; however, they were not reviewed by someone other than the preparer.

Receipts

Receipts were not issued for collections at the County Home. Deposits were not verified by someone other than the initial preparer. Receipt postings tested could not be verified for depositing intact because there were no prescribed forms used, such as a receipt, to assist in verifying the deposit makeup.

COUNTY HOME
ADAMS COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Disbursements

Disbursements were not approved by someone other than the initial preparer.

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. . . ."

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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

PUBLIC RECORDS RETENTION

Condition and Context

Records requested for audit, such as receipts, deposit slips, and bank statements, were not all presented. The supporting documentation for receipt and disbursement postings was also not presented. This would typically include documents such as "Resident Account Deposit" reports, canceled check images, petty cash logs, and duplicate receipts prepared when a resident is delivered funds for Residents' Trust.

Criteria

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

COUNTY HOME
ADAMS COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

SUPPORTING DOCUMENTATION

Condition and Context

The County Home purchased several gift cards for awards/incentives to be used for residents upon reaching certain goals. The gift cards were not safeguarded and had no supporting documentation that would indicate the award/incentive purchased, event description, award/incentive given with signature of recipient, and date given.

Criteria

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 Counties of Indiana, Chapter 1)

COUNTY HOME
ADAMS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 17, 2023, with Stan Stoppenhagen, President of the Board of County Commissioners; Steve R. Bailey, County Commissioner; Dennis Bluhm, President of the County Council; Cory Sprunger, County Council member; Bob Rhoades, County Council member; Tony L. Mellencamp, County Auditor; Brianna Lee, Deputy County Auditor; and Shannon Greene, Human Resources Director.