

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

PUTNAM COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED
08/10/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Kristina Berish	01-01-22 to 12-31-23
County Treasurer	Katherine Ann Minnick	01-01-22 to 12-31-23
Clerk of the Circuit Court	Heather L. Gilbert Tracy L. Bridges	01-01-22 to 12-31-22 01-01-23 to 12-31-23
County Sheriff	Scott Stockton Matt Demings Jerrod Baugh	01-01-22 to 12-11-22 12-12-22 to 12-31-22 01-01-23 to 12-31-23
County Recorder	Tracy L. Bridges Heather L. Gilbert	01-01-22 to 12-31-22 01-01-23 to 12-31-23
President of the Board of County Commissioners	Rick A. Woodall Thomas P. Helmer	01-01-22 to 12-31-22 01-01-23 to 12-31-23
President of the County Council	David W. Fuhrman Stephanie Campbell	01-01-22 to 12-31-22 01-01-23 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF PUTNAM COUNTY, INDIANA

This report is supplemental to the audit report of Putnam 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 24, 2023

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COUNTY AUDITOR
PUTNAM COUNTY

COUNTY AUDITOR
PUTNAM COUNTY
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

A similar comment also appeared in prior Report B59900, entitled *ANNUAL FINANCIAL REPORT*.

Condition and Context

Financial, supplemental, and other information are required to be entered annually into the Annual Financial Report via the Indiana Gateway for Government Units (Gateway) financial reporting system. The financial data, investment fund statement, and grant schedule contained the following errors:

Financial Data

1. The cash and investments balance at January 1, 2022, was understated by \$322,995.
2. Receipts were understated by \$671,562.
3. Disbursements were understated by \$683,590.
4. The cash and investments balance at December 31, 2022, was overstated by \$310,967.
5. Motor Vehicle Highway and MVH Restricted funds were combined.

Adjustments were proposed, accepted by the County, and made to the Financial Statement Audit Report's financial statement and Combining Schedule of Receipts, Disbursements, Cash and Investment Balances - Regulatory Basis presented as Required Supplementary Information.

Investment Fund Statement

The County's Investment Fund Statement as reported in Gateway was not materially accurate and complete. The County's Investment Fund Statement did not include the County's investments of \$4,000,000 at December 31, 2022.

Grant Schedule

1. The COVID-19 - Coronavirus State and Local Fiscal Recovery Funds grant expenditures were understated by \$255,364.
2. Several additional grants had individually immaterial errors that resulted in misstatements of expenditures of \$268,466.
3. Amounts passed through to subrecipients were understated by \$8,250.
4. Other errors included incorrect (or omitted) federal grantor agencies, program titles, project titles, pass-through entities, Assistance Listings Numbers, and identifying numbers.

Audit adjustments were proposed, accepted by the County, and made to the Schedule of Expenditures of Federal Awards presented in the Federal Compliance Audit Report.

COUNTY AUDITOR
PUTNAM COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

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

"The state examiner shall require from every audited entity 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](#)."

INTERNAL CONTROLS

The same comment also appeared in prior Report B59900.

Condition and Context

Deficiencies in the internal control system of the County related to financial transactions and reporting were identified. The County Auditor had not established an effective system of internal controls over financial close and reporting and payroll disbursements.

Financial Close and Reporting

The County failed to properly review the Annual Financial Report entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the financial statement. Although one individual within the County Auditor's office compiled and entered the information into Gateway and another individual reviewed and approved the information entered, the internal control was not effective and did not detect or allow correction of errors prior to submission.

Payroll Disbursements

The County's designed internal control procedure over payroll disbursements involving the review and approval of employee timecards and timesheets by department heads was not consistently implemented during the audit period.

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. . . .

COUNTY AUDITOR
PUTNAM COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . ."

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

The same comment also appeared in prior Report B59900.

Condition and Context

The Motor Vehicle Highway and MVH Restricted funds are separate funds on the ledger; however, the funds were combined on the Annual Financial Report which was the source of the financial statement.

Criteria

On the chart of accounts, the MVH Fund and MVH Restricted sub-fund shall be shown as follows:

Counties

Fund 1176	MVH
Fund 1173	MVH Restricted . . .

Together, MVH and MVH Restricted shall constitute the total MVH Fund. MVH and MVH Restricted will be shown separately on the Annual Financial Report and Annual Operational Report.

(State Examiner Directive 2018-2)

COUNTY AUDITOR
PUTNAM COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 24, 2023, with Kristina Berish, County Auditor; Katherine Ann Minnick, County Treasurer; Thomas P. Helmer, President of the Board of County Commissioners; Stephanie Campbell, President of the County Council; and Danny Wallace, County Council member.

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COUNTY TREASURER
PUTNAM COUNTY

COUNTY TREASURER
PUTNAM COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

The same comment also appeared in prior Report B59900.

Condition and Context

The County Treasurer had not separated incompatible activities related to financial close and reporting. One individual prepared and submitted the Supplemental Annual Financial Report to the County Auditor for inclusion in the County's Annual Financial Report without a documented review, oversight, or approval process.

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:

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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. . . ."

COUNTY TREASURER
PUTNAM COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 24, 2023, with Kristina Berish, County Auditor; Katherine Ann Minnick, County Treasurer; Thomas P. Helmer, President of the Board of County Commissioners; Stephanie Campbell, President of the County Council; and Danny Wallace, County Council member.