

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

STARKE COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED

08/18/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Rachel Oesterreich	01-01-22 to 12-31-23
County Treasurer	Lauri Venckus	01-01-22 to 12-31-23
Clerk of the Circuit Court	Bernadette Manuel	01-01-22 to 12-31-23
County Sheriff	William Dulin Jack Rosa	01-01-22 to 12-31-22 01-01-23 to 12-31-23
County Recorder	Mandy Thomason	01-01-22 to 12-31-23
President of the Board of County Commissioners	Charlie Chesak	01-01-22 to 12-31-23
President of the County Council	Dave Pearman	01-01-22 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to the audit report of Starke 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

August 3, 2023

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COUNTY AUDITOR
STARKE COUNTY

COUNTY AUDITOR
STARKE COUNTY
AUDIT RESULTS AND COMMENTS

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

The same comment also appeared in prior Reports B57621 and B60415.

Condition and Context

The County created a Motor Vehicle Highway (MVH) Restricted sub-fund within the Highway Department (MVH Fund) fund and posted 50 percent of the state motor vehicle highway distributions to the sub-fund as required. The MVH Restricted sub-fund is to be used exclusively for the construction, reconstruction, and preservation of the County's highways.

Seven of the ten MVH Restricted fund claims tested were not in compliance. The County paid for maintenance repairs on a gas tank at the County Highway Department, welding materials, demurrage charges, and payroll that did not include documentation related to specific projects. These expenditures were not for the construction, reconstruction, and preservation of the County's highways.

Criteria

Indiana Code 8-14-1-4(b) states: "For funds distributed to a county from the motor vehicle highway account, the county shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the county's highways."

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

A similar comment appeared in the prior Report B60415, entitled *ANNUAL FINANCIAL REPORT - OTHER INFORMATION*.

Condition and Context

Supplemental and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The County had not established effective internal controls over the AFR information entered into Gateway which resulted in the following errors:

Grants

1. The COVID-19 - Coronavirus State and Local Fiscal Recovery Funds expenditures were overstated by \$1,798,842.
2. Additional grants had individually immaterial errors that resulted in misstatements of expenditures of \$37,469, in total.
3. Other errors included incorrect program names.

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

COUNTY AUDITOR
STARKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Schedule of Leases and Debt

The lease with the Starke County Building Corporation was not properly classified as a lease. This resulted in the overstatement of the debt information and the understatement of the County's outstanding leases.

Adjustments were proposed, accepted by the County, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report for the County.

Schedule of Payables and Receivables

The County was unable to provide documentation to support the Accounts Receivable amount reported on the Schedule of Payables and Receivables. The County has chosen not to report the Schedule of Payables and Receivables.

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. . . ."

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](#)."

COUNTY AUDITOR
STARKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 3, 2023, with Rachel Oesterreich, County Auditor; Lauri Venckus, County Treasurer; Kay Gudeman, Vice President of the County Council; Todd Leinbach, County Council member; Anthony Black, County Council member; Bruce Bennett, County Council member; Mark Gourley, Vice President of the Board of County Commissioners; and Don Binkley, County Commissioner.

COUNTY TREASURER
STARKE COUNTY

COUNTY TREASURER
STARKE COUNTY
AUDIT RESULT AND COMMENT

FINANCIAL TRANSACTIONS - BANK RECONCILIATIONS

A similar comment appeared in the prior Reports B55643, B57621, and B60415, entitled *FINANCIAL TRANSACTIONS AND REPORTING - TREASURER*.

Condition and Context

There were deficiencies in the internal control system of the County Treasurer related to financial transactions.

The County Treasurer performed the monthly reconciliations of the accounting records balance to the bank depository balances without an oversight or review process in place to ensure its accuracy and timeliness. As of December 31, 2022, the adjusted bank balance exceeded the funds ledger balance by \$80,346. The financial statement was not adjusted for these variances.

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. . . ."

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."

COUNTY TREASURER
STARKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 3, 2023, with Rachel Oesterreich, County Auditor; Lauri Venckus, County Treasurer; Kay Gudeman, Vice President of the County Council; Todd Leinbach, County Council member; Anthony Black, County Council member; Bruce Bennett, County Council member; Mark Gourley, Vice President of the Board of County Commissioners; and Don Binkley, County Commissioner.

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CLERK OF THE CIRCUIT COURT
STARKE COUNTY

CLERK OF THE CIRCUIT COURT
STARKE COUNTY
AUDIT RESULTS AND COMMENTS

FINANCIAL REPORTING

The same comment also appeared in prior Report B60415, and a similar comment appeared in prior Report B57621, entitled *FINANCIAL TRANSACTIONS AND REPORTING - CLERK*.

Condition and Context

There were deficiencies in the internal control system of the Clerk of the Circuit Court's (Clerk) office related to financial reporting.

The Clerk did not have an effective internal control system over financial reporting to ensure the preparation of accurate and complete financial reports to be included in the County's Annual Financial Report and financial statement. The Supplemental County Annual Report information submitted to the County Auditor for inclusion in the County's financial statement, overstated receipts and disbursements in the Clerk fund by \$1,033,046 each.

Audit adjustments were proposed, accepted by the County, and made to the financial statement presented in the Financial Statement Audit Report for the County.

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. . . ."

CLERK OF THE CIRCUIT COURT
STARKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

CLERK'S TRUST ITEMS

The same comment appeared in the prior Reports B57621 and B60415.

Condition and Context

The Clerk of the Circuit Court's office had \$400,649 held in trust on December 31, 2022. Of the 25 trust items tested, 8, or 32 percent, were determined to not have been properly distributed. These trust items were items that had orders to distribute, which had not occurred.

Criteria

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 1)

Indiana Code 32-34-1-20(c) states in part:

"Property that is held, issued, or owed in the ordinary course of a holder's business is presumed abandoned if the owner or apparent owner has not communicated in writing with the holder concerning the property or has not otherwise given an indication of interest in the property during the following times: . . .

- (6) For property or proceeds held by a court or a court clerk, five (5) years after the property or proceeds become distributable. The property or proceeds must be treated as unclaimed property under [IC 32-34-3](#). . . ."

Indiana Code 32-34-1-26(a) states:

"A holder of property that is presumed abandoned and that is subject to custody as unclaimed property under this chapter shall report in writing to the attorney general concerning the property. Items of value of less than fifty dollars (\$50) may be reported by the holder in the aggregate."

Indiana Code 32-34-1-27(a) states: "Except as provided in subsections (b) (c), on the date a report is filed under section 26 of this chapter, the holder shall pay or deliver to the attorney general the property that is described in the report as unclaimed."

CLERK OF THE CIRCUIT COURT
STARKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 3, 2023, with Bernadette Manuel, Clerk of the Circuit Court; Rachel Oesterreich, County Auditor; Lauri Venckus, County Treasurer; Kay Gudeman, Vice President of the County Council; Todd Leinbach, County Council member; Anthony Black, County Council member; Bruce Bennett, County Council member; Mark Gourley, Vice President of the Board of County Commissioners; and Don Binkley, County Commissioner.

COUNTY SHERIFF
STARKE COUNTY

COUNTY SHERIFF
STARKE COUNTY
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING

A similar comment appeared in a prior Management Letter, entitled *FINANCIAL TRANSACTIONS AND REPORTING - SHERIFF*.

Condition and Context

There were several deficiencies in the internal control system of the County Sheriff's department related to financial transactions and reporting. There was a lack of segregation of duties as the County Sheriff had not separated key activities related to cash and investments, receipts, disbursements, and financial reporting and close.

Cash and Investments

The County Sheriff did not have an effective internal control system over cash and investments. Although one employee prepared the bank reconciliation, and the County Sheriff reviewed the reconciliation, internal controls were not effective to detect or correct errors related to cash and investments. The bank reconciliations included errors on the outstanding check list for the Commissary fund. The Inmate Trust fund reconciliation did not include money that was held in the Kiosk for deposit. As a result, the bank depository balance exceeded the financial statement balances for the Commissary fund by \$1,933, the Inmate Trust fund by \$6,045, and the Sheriff Cashbook fund by \$8,205. The financial statement was not adjusted for these variances.

Receipts and Disbursements

The County Sheriff had not established a proper system of internal controls over receipts and disbursements for the Commissary fund, the Sheriff Cashbook fund, and the Inmate Trust fund. There was a lack of segregation of duties as the County Sheriff had not separated incompatible activities related to receipts and disbursements. There were no documented internal controls to ensure the accuracy and timeliness of the recordkeeping and reporting functions.

Financial Reporting and Close

The County Sheriff did not have an effective internal control process over financial reporting to ensure the preparation of the accurate and complete financial reports to be included in the County's Annual Financial Report (AFR) and financial statement. There were no documented internal controls to ensure the accuracy of the amounts reported for inclusion in the County's AFR.

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:

COUNTY SHERIFF
STARKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

"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.

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SHERIFF DISBURSEMENTS

Condition and Context

The County Sheriff maintained a Commissary fund that sells merchandise to inmates. The following discrepancies were noted:

1. Disbursements totaling \$29,406 did not have supporting documentation.
2. Disbursements totaling \$40,568 had invoices or receipts, but the purchase was not itemized to determine if personal purchases were made.
3. Disbursements totaling \$925 were not properly recorded in the ledgers.
4. Disbursements for County Sheriff's employee's recorded in the records as rewards totaled \$25,350, which included \$14,165 for restaurants and bakery items, \$186 for earrings, \$1,048 for an employee outing, and \$375 for axe throwing.

The County Sheriff also maintains a Sheriff's Cashbook for collections for various fees and tax warrants. The County Sheriff's office was unable to provide supporting documentation related to the disbursements from this account.

Criteria

Indiana Code 36-8-10-21 states:

"(a) This section applies to any county that has a jail commissary that sells merchandise to inmates.

(b) A jail commissary fund is established, referred to in this section as 'the fund'. The fund is separate from the general fund, and money in the fund does not revert to the general fund.

(c) The sheriff, or the sheriff's designee, shall deposit all money from commissary sales into the fund, which the sheriff or the sheriff's designee shall keep in a depository designated under [IC 5-13-8](#).

(d) The sheriff, or the sheriff's designee, at the sheriff's or the sheriff's designee's discretion and without appropriation by the county fiscal body, may disburse money from the fund for:

COUNTY SHERIFF
STARKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (1) merchandise for resale to inmates through the commissary;
- (2) expenses of operating the commissary, including, but not limited to, facilities and personnel;
- (3) special training in law enforcement for employees of the sheriff's department;
- (4) equipment installed in the county jail;
- (5) equipment, including vehicles and computers, computer software, communication devices, office machinery and furnishings, cameras and photographic equipment, animals, animal training, holding and feeding equipment and supplies, or attire used by an employee of the sheriff's department in the course of the employee's official duties;
- (6) an activity provided to maintain order and discipline among the inmates of the county jail;
- (7) an activity or program of the sheriff's department intended to reduce or prevent occurrences of criminal activity, including the following:
 - (A) Substance abuse.
 - (B) Child abuse.
 - (C) Domestic violence.
 - (D) Drinking and driving.
 - (E) Juvenile delinquency;
- (8) expenses related to the establishment, operation, or maintenance of the sex and violent offender registry web site under [IC 36-2-13-5.5](#); or
- (9) any other purpose that benefits the sheriff's department that is mutually agreed upon by the county fiscal body and the county sheriff.

Money disbursed from the fund under this subsection must be supplemental or in addition to, rather than a replacement for, regular appropriations made to carry out the purposes listed in subdivisions (1) through (8).

(e) The sheriff shall maintain a record of the fund's receipts and disbursements. The state board of accounts shall prescribe the form for this record. The sheriff shall semiannually provide a copy of this record of receipts and disbursements to the county fiscal body. The semiannual reports are due on July 1 and December 31 of each year."

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 SHERIFF
STARKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the unit. Any personal expenses paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY SHERIFF
STARKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 3, 2023, with Jack Rosa, County Sheriff; April Wilhelm, County Sheriff Matron; Rachel Oesterreich, County Auditor; Lauri Venckus, County Treasurer; Kay Gudeman, Vice President of the County Council; Todd Leinbach, County Council member; Anthony Black, County Council member; Bruce Bennett, County Council member; Mark Gourley, Vice President of the Board of County Commissioners; and Don Binkley, County Commissioner.