

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

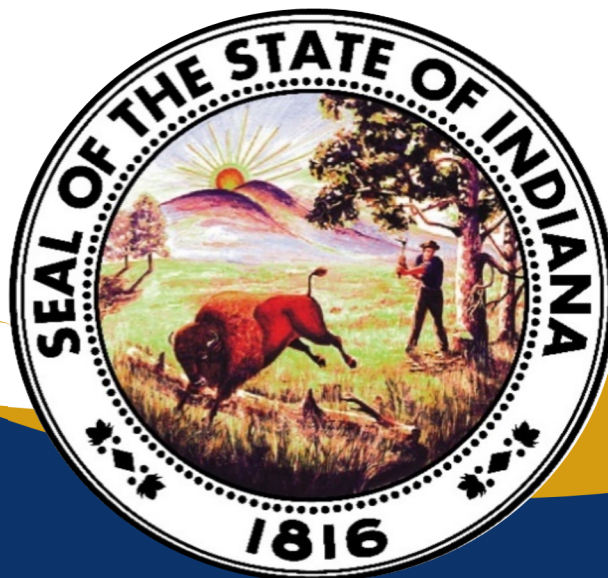
**Paul D. Joyce, CPA
State Examiner**

SUPPLEMENTAL COMPLIANCE REPORT

OF

SPENCER COUNTY, INDIANA

January 1, 2021 to December 31, 2023



FILED

12/02/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Melissa L. Bunner	01-01-21 to 12-31-24
County Treasurer	Elaine Jones	01-01-21 to 12-31-24
Clerk of the Circuit Court	Darrell Stephens	01-01-21 to 12-31-24
County Sheriff	Kelli Reinke Sherri A Heichelbech	01-01-21 to 12-31-22 01-01-23 to 12-31-24
County Recorder	Vicki Brauns	01-01-21 to 12-31-24
President of the Board of County Commissioners	Thomas Brown James Seiler Thomas Brown Heather Gries	01-01-21 to 12-31-21 01-01-22 to 12-31-22 01-01-23 to 12-31-23 01-01-24 to 12-31-24
President of the County Council	Aaron Benton Steve Haaff Aaron Benton	01-01-21 to 12-31-21 01-01-22 to 12-31-22 01-01-23 to 12-31-24



Paul D. Joyce, CPA
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INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF SPENCER COUNTY, INDIANA

This report is supplemental to the audit report of Spencer County (County), for the period from January 1, 2021 to December 31, 2023. 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 Statements Audit Report of the County, which provides our opinions on the County's financial statements. 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

November 12, 2024



COUNTY AUDITOR
SPENCER COUNTY

COUNTY AUDITOR
SPENCER COUNTY
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT - FINANCIAL DATA

A similar comment appeared in prior Report B58755, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

Financial and other information is required to be entered annually into the Indiana Gateway for Government Units (Gateway) financial reporting system, which is the source of the County's Annual Financial Report. The County did not have a proper system of internal controls in place to prevent, or detect and correct, errors. The County Auditor entered the information into Gateway, but there was no evidence of any oversight, review, or approval process of this information prior to it being submitted to Gateway to ensure its accuracy. As a result, the following errors existed:

Financial Data

Fund	Cash and Investments January 1, 2021			Cash and Investments December 31, 2021			Cash and Investments December 31, 2022	
	Over (Under) Stated	Receipts Over (Under) Stated	Disbursements Over (Under) Stated	Over (Under) Stated	Receipts Over (Under) Stated	Disbursements Over (Under) Stated	Over (Under) Stated	Over (Under) Stated
After Settlement Collections	\$20,949,060	\$22,383,541	\$ 16,960,845	\$26,371,756	\$ (694,127)	\$ (780,411)	\$26,458,040	
Spencer County Inmate Trust	-	-	-	-	-	50	(50)	
Public Fund (Drug Buy Money)	(3,875)	-	-	(3,875)	-	-	(3,875)	
Self Insurance	-	-	-	-	(2,225,225)	(2,243,735)	18,510	
Spencer County K-9 Fund	(1,795)	-	(423)	(1,372)	-	-	(1,372)	
Payroll Withholding - Federal	-	-	-	-	(122)	(122)	-	
Payroll Withholding - FICA & Medicare	-	-	-	-	(230)	(230)	-	
Payroll Withholding - Local Tax	-	-	-	-	(12)	(12)	-	
Payroll Withholding - State	-	-	-	-	(85)	(85)	-	
Local Income Tax- Property Tax	-	-	-	-	-	(1,625)	1,625	
Totals	\$20,943,390	\$22,383,541	\$ 16,960,422	\$26,366,509	\$ (2,919,801)	\$ (3,026,170)	\$26,472,878	

COUNTY AUDITOR
SPENCER COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Fund	Cash and Investments January 1, 2023		Cash and Investments December 31, 2023	
	Over (Under) Stated	Receipts Over (Under) Stated	Disbursements Over (Under) Stated	Over (Under) Stated
After Settlement Collections	\$32,458,040	\$ -	\$ 22,469,826	\$ 9,988,214
Community Corrections Grant 10/11	187,268	393,656	326,546	254,378
County General	-	-	975	(975)
LIT-Economic Development	16,533	2,841,114	2,857,647	-
Child Advocacy	-	31,779	28,824	2,955
Congressional School Interest	(48,216)	-	-	(48,216)
PI Community Corrections	(176,765)	(109,112)	(32,591)	(253,286)
Motor Vehicle Highway	(100,000)	-	-	(100,000)
Plat Book	193,201	112,746	130,456	175,491
Pretrial Diversion	(193,201)	(112,746)	(130,456)	(175,491)
Tax Sale Fees	-	100	-	100
Tax Sale Surplus	610,072	267,785	583,172	294,685
2022 Tax Sale Surplus	(610,072)	(267,786)	(583,172)	(294,686)
GAL/CASA	-	(31,779)	(28,824)	(2,955)
Drug Prosecution Fund	16,222	132,675	139,551	9,346
Self Insurance	(5,000)	(1,762,050)	(1,613,120)	(153,930)
Commissioner Certificate Sale	(3,326)	-	-	(3,326)
Infraction Judgements	599	850	1,449	-
Overweight Vehicle Fines	(600)	(849)	(1,449)	-
Innkeepers Tax Collection	-	494,146	480,684	13,462
2023 Innkeepers Tax	-	(494,146)	(480,684)	(13,462)
LIT Economic Development (EDIT)	(16,533)	(2,841,114)	(2,857,647)	-
Jail Treatment Gt	4,560	4,574	3,332	5,802
2021 Community Corrections Grant	(3,123)	(284,545)	(288,728)	1,060
2021 Cc Crpp (Drug) Grant	-	(132,675)	(137,377)	4,702
2021 Jail Treatment Grant	(2,997)	(4,574)	(3,332)	(4,239)
2021 Probation Grant	27,278	-	-	27,278
2021 Family Recovery Court Grant	16,783	52,961	58,174	11,570
2022 Jail Treatment Grant	(1,563)	-	-	(1,563)
2022 Community Corrections Grant	(7,380)	-	(5,226)	(2,154)
2022 Drug Court	(16,222)	-	(2,174)	(14,048)
2022 Probation Grant	(27,278)	-	-	(27,278)
2023 Spencer County Frc Grant	(16,783)	(52,961)	(58,174)	(11,570)
Totals	<u>\$32,301,497</u>	<u>\$ (1,761,951)</u>	<u>\$ 20,857,682</u>	<u>\$ 9,681,864</u>

Adjustments were proposed, accepted by the County, and made to the financial statements and to the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statements 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.

COUNTY AUDITOR
SPENCER COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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 as set forth in the uniform compliance guidelines. 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](#)."

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

Financial and other information is required to be entered annually into the Indiana Gateway for Government Units (Gateway) financial reporting system, which is the source of the County's Annual Financial Report (AFR). The County did not have a proper system of internal controls in place to prevent, or detect and correct, errors. The County Auditor entered the information into Gateway, but there was no evidence of any oversight, review, or approval process of this information prior to it being submitted to Gateway to ensure its accuracy. As a result, the following errors existed:

Capital Assets

The County maintained a capital asset ledger; however, the County Auditor did not enter the information into Gateway accurately, resulting in material errors in the Schedule of Capital Assets.

Adjustments were proposed, accepted by the County, and made to the Schedule of Capital Assets presented as Other Information in the Financial Statements Audit Report for the County.

Accounts Payable/Accounts Receivable

The County did not report amounts for accounts payable and accounts receivable, nor did they maintain any supporting documentation for payables and receivables for the years 2021 and 2022. The County reported accounts payable and accounts receivable for 2023; however, the County reported inaccurate information, which resulted in accounts payable being overstated by \$1,928,424, and accounts receivable understated by \$749,211.

Adjustments were proposed, accepted by the County, and made to the Schedule of Payables and Receivables presented as Other Information in the Financial Statements Audit Report for the County.

COUNTY AUDITOR
SPENCER COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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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COUNTY AUDITOR
SPENCER COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 12, 2024, with Melissa L. Bunner, County Auditor; Thomas Brown, County Commissioner; Susan Harris, County Council member; Brian E. Greulich, County Council member; and David J. Gogel, County Council member.

COUNTY TREASURER
SPENCER COUNTY

COUNTY TREASURER
SPENCER COUNTY
AUDIT RESULT AND COMMENT

BANK ACCOUNT RECONCILIATIONS

A similar comment appeared in prior Report B58755, entitled *BANK ACCOUNT RECONCILIATIONS*.

Condition and Context

The County Treasurer had prepared monthly bank reconciliations; however, they did not include a comparison to the County ledger. The December 31, 2021 cash and investments contained a trivial \$29 unidentified overage when compared to the ledger; a \$53,321 unidentified overage of cash and investments when compared to the ledger as of December 31, 2022; and a \$31,465 unidentified overage as of December 31, 2023.

In addition, numerous unsubstantiated/undocumented reconciling items were included on the December 31, 2023 bank reconciliation, many of which were carried for six months or more. Two reconciling items in the amounts of \$66,152 and \$335 were identified as State distributions that were received in 2023 in the bank account, but not recorded to the County Treasurer's Cash Book until 2024. Two bank accounts (PERF and ACH TAX) carried with balances of \$15 and (\$8,320) although the actual accounts were closed in July 2023 based on a discussion with the County Treasurer. The cause of the reconciling items was mainly due to a system conversion that occurred during 2023, inadequate credit card reporting, and the closing of bank accounts after the system conversion. A test of the 2023 reconciling items disclosed that of 136 outstanding checks and 152 deposits in transit, 18 outstanding checks and 52 deposits in transit cancel each other out.

The County Treasurer's reconciliation process was inadequate to prevent, or detect and correct, reconciling items in a timely fashion.

Criteria

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."

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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COUNTY TREASURER
SPENCER COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 12, 2024, with Elaine Jones, County Treasurer; Thomas Brown, County Commissioner; Susan Harris, County Council member; Brian E. Greulich, County Council member; and David J. Gogel, County Council member.



COUNTY RECORDER
SPENCER COUNTY

COUNTY RECORDER
SPENCER COUNTY
AUDIT RESULT AND COMMENT

MONTHLY UPLOADS

Condition and Context

The County Recorder did not implement proper internal controls to ensure compliance with the State Examiner Directive, and did not upload any of the monthly files on the Indiana Gateway for Government Units financial reporting system for the years ended December 31, 2021, 2022, and 2023.

The following files and governmental unit information are required to be uploaded monthly:

- Cash Balance Reports (Cash Book)
- Bank Reconcilements, Bank Statements, and Outstanding Check Lists

Criteria

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

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 County Recorders of Indiana, Chapter 1)

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COUNTY RECORDER
SPENCER COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 12, 2024, with Vicki Brauns, County Recorder; Thomas Brown, County Commissioner; Susan Harris, County Council member; Brian E. Greulich, County Council member; and David J. Gogel, County Council member.