

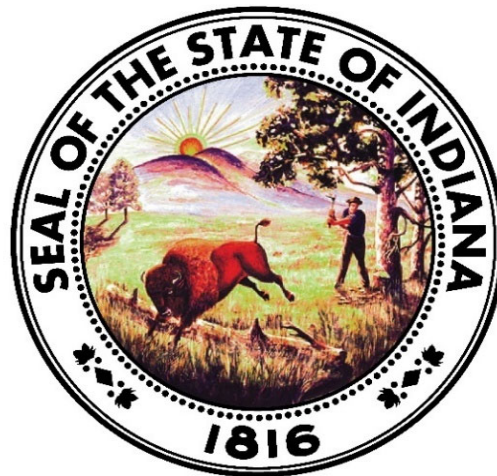
**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

SUPPLEMENTAL COMPLIANCE REPORT

OF

MARTIN COUNTY, INDIANA

January 1, 2021 to December 31, 2023



**FILED**  
11/26/2024



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Bobbie Abel Michelle Norris	01-01-21 to 06-17-22 06-18-22 to 12-31-24
County Treasurer	Lori D. Carrico Rhonda Sanders	01-01-21 to 12-31-23 01-01-24 to 12-31-24
Clerk of the Circuit Court	Gerald D. Montgomery Julie Fithian	01-01-21 to 12-31-22 01-01-23 to 12-31-24
County Sheriff	Travis Roush (Vacant) Joshua Greene	01-01-21 to 07-20-22 07-21-22 to 07-26-22 07-27-22 to 12-31-24
County Recorder	Rhonda Sanders Sheri Crandall	01-01-21 to 12-31-23 01-01-24 to 12-31-24
President of the Board of County Commissioners	Paul R. George	01-01-21 to 12-31-24
President of the County Council	Warren Albright Jordan Dant	01-01-21 to 12-31-22 01-01-23 to 12-31-24



Paul D. Joyce, CPA  
State Examiner

# INDIANA STATE BOARD OF ACCOUNTS

302 WEST WASHINGTON STREET  
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TO: THE OFFICIALS OF MARTIN COUNTY, INDIANA

This report is supplemental to the audit report of Martin 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/](http://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

October 29, 2024

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COUNTY AUDITOR  
MARTIN COUNTY

COUNTY AUDITOR  
MARTIN COUNTY  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

*Condition and Context*

Internal controls were not in place to ensure that the County complied with laws and regulations. Internal control deficiencies resulted in noncompliance over the following areas and are detailed further in the comments below:

- Annual Financial Report
- Motor Vehicle Highway (MVH) - Restricted fund

*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 the 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 components 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. . . ."

**ANNUAL FINANCIAL REPORT**

*Condition and Context*

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Governmental Units (Gateway) financial reporting system. The AFR contained the following errors:

COUNTY AUDITOR  
MARTIN COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Grant Schedules*

There were several state grants included in the federal grant schedule during the audit period as follows:

- Federal grant expenditures for 2021 were overstated by \$261,428, of which \$167,708 was the Community Corrections state grant in addition to eight other state grants.
- Federal grant expenditures for 2022 were overstated by \$296,557, of which \$161,098 was the Community Corrections state grant in addition to seven other state grants.
- Federal grant expenditures for 2023 were overstated by \$1,133,506, part of which was the Community Crossing state grant of \$875,030 and the Community Corrections state grant of \$176,685. In addition, there were seven other state grants listed as federal.

*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 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](#)."

**MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND**

A similar comment also appeared in prior Report B59003, entitled *DISBURSEMENT ACTIVITY FROM MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND*.

*Condition and Context*

The Restricted MVH fund is to be used exclusively for the construction, reconstruction, and preservation of the County's highways. Of the 60 MVH Restricted fund disbursements, 22 selected for testing were for cold mix and bulk stone. There was no documentation of the usage for construction, reconstruction, or preservation of the County's highways.

*Criteria*

Indiana Code 8-14-1-4(b) states: "Except as provided in subsection (c), 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."

COUNTY AUDITOR  
MARTIN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 29, 2024, with Michelle Norris, County Auditor; Paul R. George, President of the Board of County Commissioners; and Sheri Bowling, County Council member.

COUNTY HIGHWAY DEPARTMENT  
MARTIN COUNTY

COUNTY HIGHWAY DEPARTMENT  
MARTIN COUNTY  
AUDIT RESULT AND COMMENT

***MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND***

A similar comment also appeared in prior Report B59003, entitled *DISBURSEMENT ACTIVITY FROM MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND*.

*Condition and Context*

The Restricted MVH fund is to be used exclusively for the construction, reconstruction, and preservation of the County's highways. Of the 60 MVH Restricted fund disbursements, 22 selected for testing were for cold mix and bulk stone. There was no documentation of the usage for construction, reconstruction, or preservation of the County's highways.

*Criteria*

Indiana Code 8-14-1-4(b) states: "Except as provided in subsection (c), 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."

COUNTY HIGHWAY DEPARTMENT  
MARTIN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 29, 2024, with Michelle Norris, County Auditor; Scott K. Seals, County Highway Superintendent; Theresa Ray, County Highway Administrative Assistant; Paul R. George, President of the Board of County Commissioners; and Sheri Bowling, County Council member.

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COUNTY SHERIFF  
MARTIN COUNTY

COUNTY SHERIFF  
MARTIN COUNTY  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

A similar comment also appeared in prior Report B59003, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

*Condition and Context*

Internal controls were not in place to ensure that the County Sheriff complied with laws and regulations. Internal control deficiencies resulted in noncompliance over the following areas and are detailed further in the comments below:

- Supplemental Annual Financial Report
- Condition of Records - Sheriff's Cash Book
- Condition of Records - Commissary
- Condition of Records - Inmate Trust
- Commissary Fund Disbursements
- Commissary Report to County Council
- Monthly and Annual Uploads

*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. . . ."

COUNTY SHERIFF  
MARTIN COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**SUPPLEMENTAL ANNUAL FINANCIAL REPORT**

*Condition and Context*

Supplemental Annual Financial Reports were prepared for the Inmate Trust and Commissary funds. These reports should have been prepared using the financial activity recorded in the ledger for each fund. However, since ledgers were not properly maintained for 2022 and 2023, the reports were prepared using bank transactions. These reports were used by the County Auditor to compile the County's Annual Financial Report (AFR), which was the source of the County's financial statements.

*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 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](#)."

The supplemental annual report forms are submitted by other county offices and departments to be used by the county auditor to provide complete financial information for the annual report by reporting financial activity that is maintained outside of the county auditor's system. The supplemental annual reports are only to be submitted with financial activity that is not eventually accounted for in the county's general ledger system. (The County Bulletin and Uniform Compliance Guidelines, December 2023)

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 Counties of Indiana, Chapter 1)

**CONDITION OF RECORDS - SHERIFF'S CASH BOOK**

*Condition and Context*

The following deficiencies were noted related to the recordkeeping of the County Sheriff's Cash Book during the audit period:

- Bank reconcilements for April and December 2021 were not presented for audit.
- Ledgers have not been maintained since April 2022.
- Bank reconcilements have not been prepared since April 2022.
- No deposits for inmate medical copayments were made in 2022 or 2023.
- Receipts are not being issued for collections.
- Monthly Report of Collections (General Form 362):

COUNTY SHERIFF  
MARTIN COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

- August through November 2021 were submitted in January 2022.
- January through October 2022 were prepared and on file at the County Sheriff's department but were not submitted to the County Auditor.
- December 2022 through the current period have not been prepared or submitted to the County Auditor.

*Criteria*

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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."

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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)

Many offices and departments of the county have been authorized to deposit daily into a county bank account and remit collections from those accounts to the County Auditor and County Treasurer at a later date by a county governing body. This policy helps compliance with the daily deposit law in IC 5-13- 6-1 in offices and departments that are not located close to the offices of the County Auditor and Treasurer and when the reconciling of the collections is more cumbersome.

For these offices and departments remittance in a timely manner is imperative. Unless otherwise stated in the Indiana Code, remittance is considered timely when made by the 10th day of the month following the month of receipt. This should provide adequate time for reconciling the bank account to the departmental ledger and preparation of the Report of Collections, General Form 362.

(The County Bulletin and Uniform Compliance Guidelines, December 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 Counties of Indiana, Chapter 1)

COUNTY SHERIFF  
MARTIN COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**CONDITION OF RECORDS - COMMISSARY**

*Condition and Context*

The following deficiencies were noted related to the recordkeeping of the Commissary fund during the audit period:

- Ledgers have not been maintained since January 2022.
- Bank reconcilements have not been prepared since May 2022.
- Receipts were not issued during 2021, 2022, or 2023.

*Criteria*

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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."

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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)

**CONDITION OF RECORDS - INMATE TRUST**

*Condition and Context*

The following deficiencies were noted related to the recordkeeping of the Inmate Trust fund during the audit period:

- Ledgers have not been maintained since September 2023.
- Bank reconcilements have not been prepared since September 2023.
- Inmate Trust Fund Subsidiary Detail was not reconciled at December 31, 2021, 2022, or 2023.

COUNTY SHERIFF  
MARTIN COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

- Receipts were not issued for 2021, 2022, or 2023.
- The inmate medical copayments were not transferred to the County Sheriff's Cash Book in 2022 or 2023.
- Checks were to be written monthly to the Commissary fund for inmate purchases made throughout the month. The following issues were noted:
  - August through November 2021 inmate purchases were paid to the Commissary fund in November 2021.
  - Disbursements for inmate purchases were not paid to the Commissary fund at all during 2022.
  - In 2023, only one disbursement was paid to the Commissary fund in the amount of \$109,366 in August.
  - Disbursements were not paid to the Commissary fund for the period of September through December 2023.

*Criteria*

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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."

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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)

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.

(c) If the inmate or the inmate's 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.

COUNTY SHERIFF  
MARTIN COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

(d) Upon discharge or release of an inmate from the county jail, the sheriff shall pay to that inmate or the inmate's legal guardian any balance remaining in the inmate's trust fund.

(e) If an inmate is found guilty of intentionally destroying or losing county property after a hearing conducted under [IC 11-11-5-5](#), the sheriff may disburse from the inmate's trust fund 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."

### **COMMISSARY FUND DISBURSEMENTS**

#### *Condition and Context*

For 5 of the 18 Commissary fund disbursements that were tested, allowability in accordance with Indiana Code 36-8-10-21(d) was undeterminable. Since a ledger was not maintained for 2022 and 2023, the category of allowable disbursements was not documented, nor was there adequate supporting documentation on the invoices. The undeterminable disbursements were as follows:

- A gift card was purchased in the amount of \$200 from a gun shop on December 12, 2023. No documentation of the purpose or who received the gift card was provided.
- T-shirts and decals for the Jeep & Bike Ride were purchased on June 16, 2022, in the amount of \$1,398. No documentation was available indicating the purpose of the expenditure.
- A disbursement in the amount of \$200 on July 13, 2022, for a plaque and engraving on a rifle and a pistol. No documentation was available indicating the purpose of the expenditure.
- A check in the amount of \$120 was written on January 9, 2022, for photography. No documentation indicating the purpose of this disbursement.
- Disbursements on January 18, 2023, in the amount of \$8,716, and February 8, 2023, in the amount of \$13,531, were made to Amazon based on the credit card statements. Detailed invoices were not attached; however, the Matron was able to locate most of the invoices. However, there was no documentation indicating the purpose of the expenditures. This included a disbursement in the amount of \$741 to Venmo.

#### *Criteria*

Indiana Code 36-8-10-21(d) states:

"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:

- (1) merchandise for resale to inmates through the commissary;

COUNTY SHERIFF  
MARTIN COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (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)."

**COMMISSARY REPORT TO COUNTY COUNCIL**

*Condition and Context*

A commissary report was submitted to the County Council semiannually. However, the amounts provided were monthly totals abstracted from the bank statements and did not show the detailed transactions and category designations. The Ledger of Receipt, Disbursements and Balances - Commissary Fund, County Form 205, is set up to provide the required information but was not being maintained.

COUNTY SHERIFF  
MARTIN COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

Indiana Code 36-8-10-21(e) states:

"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."

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)

**MONTHLY AND ANNUAL UPLOADS**

*Condition and Context*

The County Sheriff did not comply with the State Examiner Directive 2018-1 and did not upload the following files on the Indiana Gateway for Government Units financial reporting system:

- Inmate Trust bank account - 3 of 12 bank statements, bank reconcilements, outstanding check lists, and cash balances reports were not uploaded for 2021. There were no files uploaded for 2022 and 2023. The Inmate Trust Fund Subsidiary Detail (as of 12-31) was not uploaded for 2021, 2022, and 2023.
- Commissary bank account - 3 of 12 bank statements, bank reconcilements, outstanding check lists, and cash balances reports were not uploaded for 2021. There were no files uploaded for 2022 and 2023.
- County Sheriff Cash Book - 3 of 12 bank statements, bank reconcilements, outstanding check lists, and cash balances reports were not uploaded for 2021. There were no files uploaded for 2022 and 2023.

*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 Counties of Indiana, Chapter1)

COUNTY SHERIFF  
MARTIN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 29, 2024, with Michelle Norris, County Auditor; Joshua Greene, County Sheriff; Paul R. George, President of the Board of County Commissioners; and Sheri Bowling, County Council member.

COUNTY TREASURER  
MARTIN COUNTY

COUNTY TREASURER  
MARTIN COUNTY  
AUDIT RESULT AND COMMENT

**INTERNAL CONTROLS**

A similar comment appeared in a Management Letter addressed to the County Treasurer for the audit period ending December 31, 2020.

*Condition and Context*

There were deficiencies in the internal control system of the County Treasurer related to financial transactions and reporting. The County Treasurer had not established an effective system of internal controls over cash and investments and financial reporting.

*Cash and Investments*

Monthly bank reconciliations were performed; however, there was no evidence of an internal control in place to prevent, or detect and correct, errors such as an oversight, review, or approval process. The following errors were noted:

- Reconciling items were identified on the bank reconciliations but were not corrected in a timely manner. Several reconciling items dating back to 2012 related to payroll, PERF, Community Corrections grants, deposit differences, and settlement differences have not been corrected.
- There were 20 stale dated checks that were two or more years old. The total of these checks at December 31, 2023, was \$18,247.

*Supplemental Annual Financial Report*

The Supplemental Annual Financial Report prepared by the County Treasurer for 2021 overstated both the receipts and disbursements by \$8,827,388. This report was used by the County Auditor to compile the County's Annual Financial Report, which was the source of the County's financial statement.

Audit adjustment was proposed, accepted by the County, and made to the financial statement and the Combining Schedule of Receipts, Disbursements, and Cash and Investments Balances - Regulatory Basis presented as Other Information in the Financial Statements Audit Report of 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 TREASURER  
MARTIN COUNTY  
AUDIT RESULT AND COMMENT  
(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 5-13-6-1(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."

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void. . . ."

Indiana Code 5-11-10.5-3 states:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the:

- (1) board of finance of the political subdivision; or
- (2) fiscal body of a city or town.

The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision. However, in the case of a school corporation, the warrant or check shall be receipted into the operations fund."

COUNTY TREASURER  
MARTIN COUNTY  
AUDIT RESULT AND COMMENT  
(Continued)

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](#)."

The supplemental annual report forms are submitted by other county offices and departments to be used by the county auditor to provide complete financial information for the annual report by reporting financial activity that is maintained outside of the county auditor's system. The supplemental annual reports are only to be submitted with financial activity that is not eventually accounted for in the county's general ledger system. . . .

There are two exceptions to the rule that only financial activity that is not eventually accounted for in the county's general ledger system be reported on the supplemental annual report to be included in the annual report by the county auditor.

One exception is the clerk's trust fund. . . .

The other exception is the after December settlement collections by the treasurer. The county treasurer will reflect on the supplemental annual report as the beginning balance the previous year's ending balance. The disbursements column will be the same as the beginning balance. This has the effect of reversing out the prior year activity. The amount for receipts and ending balance is arrived at by taking the ending balance on the treasurer's daily cash sheet for the current December 31st balance of taxes to be settled + total other sources. The county auditor will reflect these amounts as the beginning balance, receipt, disbursement, and ending balance on the annual report under the after settlement collections fund. This is the only fund that provides the timing difference of financial activity that has not yet been recorded in the auditor's general ledger system.

(The County Bulletin and Uniform Compliance Guidelines, December 2023)

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 Treasurers of Indiana, Chapter 1)

COUNTY TREASURER  
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EXIT CONFERENCE

The contents of this report were discussed on October 29, 2024, with Michelle Norris, County Auditor; Rhonda Sanders, County Treasurer; Paul R. George, President of the Board of County Commissioners; and Sheri Bowling, County Council member.