

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

DECATUR COUNTY, INDIANA

January 1, 2022 to December 31, 2022



**FILED**

09/25/2024



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Janet S. Chadwell	01-01-22 to 12-31-24
County Treasurer	Diane M. Wenning	01-01-22 to 12-31-24
Clerk of the Circuit Court	Adina A. Roberts Janet Howell	01-01-22 to 12-31-22 01-01-23 to 12-31-24
County Sheriff	Dave Durant William B. Meyerrose	01-01-22 to 12-31-22 01-01-23 to 12-31-24
County Recorder	Dottie Robbins	01-01-22 to 12-31-24
President of the Board of County Commissioners	Mark Koors	01-01-22 to 12-31-24
President of the County Council	Danny D. Peters	01-01-22 to 12-31-24



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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INDIANAPOLIS, INDIANA 46204-2769

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TO: THE OFFICIALS OF DECATUR COUNTY, INDIANA

This report is supplemental to the audit report of Decatur 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/](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

September 17, 2024

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BOARD OF COUNTY COMMISSIONERS  
DECATUR COUNTY

BOARD OF COUNTY COMMISSIONERS  
DECATUR COUNTY  
AUDIT RESULT AND COMMENT

***TRAINING ON INTERNAL CONTROL STANDARDS***

The same comment also appeared in prior Report B59682.

*Condition and Context*

The County was unable to provide documentation that all personnel hired in 2022 had received training on internal control standards.

*Criteria*

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

BOARD OF COUNTY COMMISSIONERS  
DECATUR COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 17, 2024, with Janet S. Chadwell, County Auditor; Christy Smiley, Deputy County Auditor; Abby Johnson, Deputy County Auditor; Danny D. Peters, President of the County Council; Mark Koors, President of the Board of County Commissioners; Jeremy Pasel, County Commissioner; Ashley Emsweller-Hungate, County Council member; Bill Metz, County Council member; Deanna Burkart, County Council member; Kenny Hooten, County Council member; Melanie Nobbe, County Council member; and Patty Hensley, Director of Human Resources.

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COUNTY AUDITOR  
DECATUR COUNTY

COUNTY AUDITOR  
DECATUR COUNTY  
AUDIT RESULTS AND COMMENTS

**PENALTIES AND INTEREST**

*Condition and Context*

Internal controls were not in place to ensure payroll taxes were remitted properly and timely. Penalties and interest in the amount of \$37,329 were paid in 2022. The penalties and interest were assessed on tax periods from June 2019 to December 2021.

*Criteria*

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

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. . . ."

**ANNUAL FINANCIAL REPORT**

*Condition and Context*

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

*Financial Information*

- Cash and investment balances reported in the AFR for December 31, 2022, were understated by \$9,166,248.

COUNTY AUDITOR  
DECATUR COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

- Disbursements reported in the AFR for 2022 were overstated overall by \$9,053,582. This was primarily due to incorrect recording of transactions related to the purchase of investments, resulting in an overstatement of disbursements by \$9,800,000, as well as omitting the activity of the County's self-insurance fund, which resulted in an understatement of disbursements by \$4,509,399. Interfund transfers for self-insurance were erroneously entered into the AFR twice, resulting in overstatement of disbursements by \$3,802,646.
- Receipts reported in the AFR for 2022 were understated overall by \$121,180. This was primarily due to the incorrect recording of transactions related to the sale of investments, resulting in an overstatement of receipts by \$4,297,666, as well as omitting the activity of the County's self-insurance fund, which resulted in an understatement of receipts by \$4,347,752.

Audit adjustments were proposed, accepted by the County, and made to the financial statement and the Combining Schedule of Receipts, Disbursement, and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statement Audit Report of the County.

*Grant Information*

- The COVID-19 - Coronavirus State and Local Fiscal Recovery Funds program expenditures were overstated by \$2,526,786.
- The Coronavirus Relief Fund program expenditures were overstated by \$100,074.
- The Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) program was omitted, resulting in an understatement of expenditures of \$110,000.
- Other grants had individually immaterial errors that resulted in misstatements of expenditures of \$118,147.

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 of the County.

*Leases and Debt Information*

- The Decatur County IN Jail Building Corp annual lease payment amount was understated by \$1,500.
- The Honda TIF revenue bonds ending principal balance was understated by \$862,979.
- The Honda TIF revenue bonds principal due within one year was overstated by \$919,557.

Audit 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 of the County.

*Investments*

- The Investment Fund Statement was understated by \$5,500,000 at December 31, 2022.

COUNTY AUDITOR  
DECATUR 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](#)."

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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**TRANSACTION RECORDING**

*Condition and Context*

Internal controls were not in place to ensure the activity of the County's self-insurance fund was properly recorded on the funds ledger. The County utilized a third-party to administer its self-insurance fund. The administrator provided the County with reports and worksheets including the monthly income (receipts), expenses (disbursements), and cash balances. The County did not record the activity of this fund on the funds ledger during the year 2022, nor was the activity reported on the 2022 Annual Financial Report. This resulted in an understatement of receipts and disbursements in the amount of \$4,347,752 and \$4,509,399, respectively, and an overstatement in ending cash balance in the amount of \$161,647.

*Criteria*

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

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COUNTY AUDITOR  
DECATUR COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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### **CAPITAL ASSETS**

A similar comment appeared in a Management Letter addressed to the County Auditor for the audit period ending December 31, 2021.

#### *Condition and Context*

Internal controls were not in place to ensure accurate recordkeeping and inventory of the County's capital assets. The County provided a detailed capital asset ledger for audit; however, the County had not properly updated its detailed asset listing or completed a physical inventory within the past two years. Only one addition had been added to the asset ledger during 2022; however, we noted the construction of a highway building and other purchases noted in the County Council minutes that had not been properly added to the listing.

#### *Criteria*

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

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  
DECATUR COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

The same comment appeared in prior Report B59682.

*Condition and Context*

The County Auditor certified on the Indiana Gateway for Government Units financial reporting system that all personnel had received training on internal control standards; however, documentation was not provided to show that training had occurred for personnel hired in 2022.

*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](#)."

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COUNTY TREASURER  
DECATUR COUNTY

COUNTY TREASURER  
DECATUR COUNTY  
AUDIT RESULT AND COMMENT

**INVESTMENTS**

*Condition and Context*

Internal controls were not in place to ensure that County funds were properly invested with an approved depository. In 2022, the County Treasurer transferred \$3,000,000 from an approved depository to an investment company who then invested the funds on behalf of the County. The investment company used by the County was not an approved depository designated by the Indiana State Board of Finance as a depository for state deposits under Indiana Code 5-13-9-5.

*Criteria*

Indiana Code 5-13-9-2.5 states in part:

"(a) An officer designated in section 1 of this chapter may invest or reinvest funds that are held by the officer and available for investment in investments commonly known as money market mutual funds that are in the form of securities of or interests in an open-end, no-load, management-type investment company or investment trust registered under the provisions of the federal Investment Company Act of 1940, as amended (15 U.S.C. 80a et seq.) . . .

(b) The investments described in subsection (a) shall be made through depositories designated by the state board of finance as depositories for state deposits under [IC 5-13-9-5](#).

(c) The portfolio of an investment company or investment trust described in subsection (a) must be limited to the following:

- (1) Direct obligations of the United States.
- (2) Obligations issued by any of the following:
  - (A) A federal agency.

COUNTY TREASURER  
DECATUR COUNTY  
AUDIT RESULT AND COMMENT  
(Continued)

- (B) A federal instrumentality.
- (C) A federal government sponsored enterprise.
- (3) Repurchase agreements full collateralized by obligations described in subdivision (1) or (2). . . ."

Investments can only be made in accordance with statutory guidelines. Losses and expenses related to any unauthorized investments and unauthorized investment procedures may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

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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