

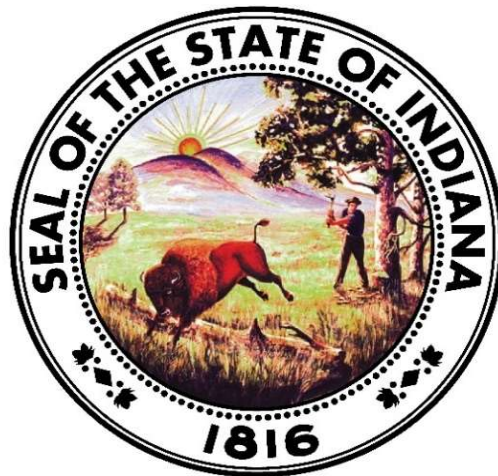
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT

OF

SHELBY COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED

08/16/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Amy L. Glackman	01-01-23 to 12-31-24
County Treasurer	Janet E. Stucker	01-01-23 to 12-31-24
Clerk of the Circuit Court	Jill Taylor	01-01-23 to 12-31-24
County Sheriff	Louie Koch	01-01-23 to 12-31-24
County Recorder	Jessica Pile	01-01-23 to 12-31-24
President of the Board of County Commissioners	Don Parker	01-01-23 to 12-31-24
President of the County Council	Tony Titus	01-01-23 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to the audit report of Shelby County (County), for the period from January 1, 2023 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 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.

A handwritten signature in blue ink that reads "Beth Kelley".

Beth Kelley, CPA, CFE
Deputy State Examiner

July 16, 2024

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COUNTY AUDITOR
SHELBY COUNTY

COUNTY AUDITOR
SHELBY COUNTY
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

A similar comment appeared in prior Reports B60461 and B61887, entitled *ANNUAL FINANCIAL REPORT*.

Condition and Context

The County had established internal controls over the other information entered into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units financial reporting system; however, the internal controls were not effective. As a result, the following errors were noted:

Grants

- The Formula Grants for Rural Areas and Tribal Transit Program expenditures were understated by \$182,841.
- The Immunization Cooperative Agreements expenditures were understated by \$176,833.
- The Elder Abuse Prevention Interventions Program are not federal monies and should not be included; thus, expenditures were overstated by \$160,972.
- The Highway Planning and Construction expenditures were understated by \$41,440.
- Additional grants had individually immaterial errors that resulted in misstatements of grant expenditures of \$173,031.

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.

Capital Assets

The capital asset information reported in the AFR was not materially accurate. The County provided supporting documentation for reported capital assets; however, the supporting documentation for the reported capital asset amounts was not accurate. Additions or deletions of capital assets made during the audit period were not included. The County chose to not present the Schedule of Capital Assets in the Financial Statement 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 AUDITOR
SHELBY 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. . . ."

The Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not later than sixty (60) days after the close of each fiscal year. (Accounting and Uniform Guidelines Compliance Manual for County Auditors of Indiana, Chapter 1)

INTERNAL CONTROLS OVER FINANCIAL CLOSE AND REPORTING

Condition and Context

The County Auditor prepared and submitted the financial information to the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Reports and financial statements. The County Auditor had internal controls in place; however, they were deemed ineffective. As a result, the following error was noted:

- The receipts were understated by \$1,805,650 due to interest receipts not being posted to the ledger since 2021, resulting in the ending cash balance to be understated by \$1,805,650.

Criteria

The Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not later than sixty (60) days after the close of each fiscal year. (Accounting and Uniform Guidelines Compliance 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
SHELBY COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSETS

A similar comment appeared in the immediately prior Report B61887, entitled *CAPITAL ASSETS*.

Condition and Context

The County maintained a capital asset inventory listing; however, it was not updated. Of the ten capital asset additions and deletions selected for testing, six assets purchased during the audit period were not added to the capital asset inventory listing, and two assets that were sold during the audit period were not removed for the capital asset inventory 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)

ADVANCE PAYMENTS

Condition and Context

Internal controls were not in place to ensure checks were not written in advance of services or goods received. The County wrote two checks, one each in February and December 2023, for purchases of equipment. The equipment would not be delivered to the County until December 2024. The checks written were listed as outstanding checks as of December 31, 2023.

Criteria

Indiana Code 5-11-10-1.6 states in part:

"Payment of claims; requirements for issuance of warrant or check by fiscal officer. . . .

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless all of the following apply:

- (1) There is a fully itemized invoice or bill for the claim.
- (2) The invoice or bill is approved by the officer or person receiving the goods and services.
- (3) The invoice or bill is filed with the governmental entity's fiscal officer.
- (4) The fiscal officer audits and certifies before payment that the invoice or bill is true and correct.
- (5) Payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim.

COUNTY AUDITOR
SHELBY COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

(d) Notwithstanding subsection (c), the following are permitted: . . .

(4) A political subdivision (as defined in IC 36-1-2-13) may make advance payments for goods or services before the goods are delivered or services are completed if the fiscal body of the political subdivision authorizes making advance payments. If the fiscal body of the political subdivision authorizes making advance payments, the local fiscal officer or the local fiscal officer's designee must do all of the following when advance payments are made:

(A) Track prepayments by defining the prepayment on a purchase order.

(B) Create a prepayment invoice that is associated with the purchase order.

(C) Require insurance or a surety bond in the amount of the prepayment if the amount of the prepayment is more than one hundred fifty thousand dollars (\$150,000).

(e) Advance payments made under subsection (d)(3) or (d)(4) may not exceed the lesser of the following:

(1) Fifty percent (50%) of the entire cost of the contract.

(2) Two million dollars (\$2,000,000). . . ."

Compensation and any other payments for goods and services must not be paid in advance of receipt of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received 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:

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COUNTY AUDITOR
SHELBY COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

The same comment appeared in prior Reports B58855, B60461, and B61887.

Condition and Context

The County did not present the Motor Vehicle Highway (MVH) and the MVH - Restricted funds separately on the Annual Financial Report for 2023.

Criteria

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

Counties

Fund 1176	MVH
Fund 1173	MVH Restricted . . .

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

(State Examiner Directive 2018-2)

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 Auditors of Indiana, Chapter 1)

MONTHLY AND ANNUAL UPLOADS

A similar comment appeared in a Management Letter addressed to the County Auditor for the audit period ending December 31, 2021, entitled *MONTHLY AND ANNUAL ENGAGEMENT UPLOADS*, and in a Management Letter for the period ending December 31, 2022, entitled *MONTHLY UPLOADS*.

Condition and Context

The County Auditor did not upload monthly Documentation of Reconciliation of Form 61 between County Auditor and County Treasurer to the Indiana Gateway for Government Units financial reporting system for 8 of the 12 months. Additionally, the County Auditor did not upload the annual funds ledger or the vendor history for 2023.

COUNTY AUDITOR
SHELBY COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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.

A user guide for the Engagement Uploads is available and located at:
<https://gateway.ifionline.org/userguides/engagementguide>. **It is pertinent that this user guide be used in conjunction with this Directive.** It provides critical information to you that will help guide you to uploading the correct documents.

(Amended State Examiner Directive 2018-1)

COUNTY AUDITOR
SHELBY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 16, 2024 , with Amy L. Glackman, County Auditor; Don Parker, President of the Board of County Commissioners; Kevin Nigh, County Commissioner; Leigh Langkabel, County Council member; and Tony Titus, President of the County Council.

COUNTY TREASURER
SHELBY COUNTY

COUNTY TREASURER
SHELBY COUNTY
AUDIT RESULTS AND COMMENTS

MONTHLY AND ANNUAL UPLOADS

A similar comment appeared in prior Report B60461, entitled *MONTHLY AND ANNUAL ENGAGEMENT UPLOADS*, and in prior Report B61887, entitled *MONTHLY AND ANNUAL UPLOADS*.

Condition and Context

The County Treasurer did not upload any of the required annual uploads to the Indiana Gateway for Government Units financial reporting system. Additionally, the County Treasurer only uploaded 1 month of the required 12 monthly uploads during 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.

A user guide for the Engagement Uploads is available and located at: <https://gateway.ifionline.org/userguides/engagementguide>. **It is pertinent that this user guide be used in conjunction with this Directive.** It provides critical information to you that will help guide you to uploading the correct documents.

(Amended State Examiner Directive 2018-1)

STALE DATED OUTSTANDING CHECKS (WARRANTS)

Condition and Context

The County Treasurer's bank reconciliation included stale dated outstanding checks over two years old as of December 31, 2023, totaling \$8,326.

Criteria

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.

COUNTY TREASURER
SHELBY COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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."

TIMELY RECORDING

Condition and Context

Bank reconciliations were performed for the depository accounts; however, the reconciliations contained adjusting entries for interest in order to reconcile. The County had not posted interest earned on depository accounts since 2020. The total interest not posted as of December 31, 2023, was \$1,805,650.

Criteria

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of the public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

Indiana Code 5-13-5-1(a) states:

"Every public officer who receives or distributes public funds shall:

- (1) keep a cashbook into which the public officer shall enter daily, by item, all receipts of public funds; and
- (2) balance the cashbook daily to show funds on hand at the close of the day."

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 Treasurers of Indiana, Chapter 1)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balances 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 County Treasurers of Indiana, Chapter 1)

COUNTY TREASURER
SHELBY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 16, 2024, with Janet E. Stucker, County Treasurer; Kathy Plunkett, Deputy County Treasurer; Don Parker, President of the Board of County Commissioners; Kevin Nigh, County Commissioner; Leigh Langkabel, County Council member; and Tony Titus, President of the County Council.

CLERK OF THE CIRCUIT COURT
SHELBY COUNTY

CLERK OF THE CIRCUIT COURT
SHELBY COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

A similar comment appeared in prior Report B61887, entitled *INTERNAL CONTROLS*.

Condition and Context

The Clerk of the Circuit Court's (Clerk) internal controls over cash and investments were not properly documented. The Clerk's office had two bank accounts, and the Clerk performed monthly bank reconcilements. One of the bank accounts did not have an internal control in place such as an oversight, review, or approval process to ensure that cash and investments were accurate.

Criteria

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CLERK OF THE CIRCUIT COURT
SHELBY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 16, 2024, with Jill Taylor, Clerk of the Circuit Court; Don Parker, President of the Board of County Commissioners; Kevin Nigh, County Commissioner, Leigh Langkabel, County Council member; and Tony Titus, President of the County Council.