

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

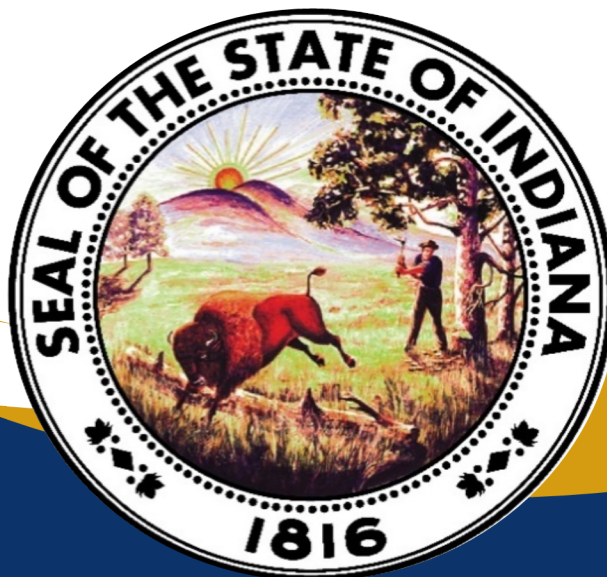
**Paul D. Joyce, CPA
State Examiner**

SUPPLEMENTAL COMPLIANCE REPORT

OF

BARTHOLOMEW COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED

12/10/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Pia O'Connor	01-01-23 to 12-31-24
County Treasurer	Barbara Hackman	01-01-23 to 12-31-24
Clerk of the Circuit Court	Shari Lentz	01-01-23 to 12-31-24
County Sheriff	Chris Lane	01-01-23 to 12-31-24
County Recorder	Tami Hines	01-01-23 to 12-31-24
President of the Board of County Commissioners	Tony London Larry S. Kleinhenz	01-01-23 to 04-28-24 04-29-24 to 12-31-24
President of the County Council	Jorge R. Morales	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 BARTHOLOMEW COUNTY, INDIANA

This report is supplemental to the audit report of Bartholomew 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.

Beth Kelley, CPA, CFE
Deputy State Examiner

November 12, 2024



COUNTY AUDITOR
BARTHOLOMEW COUNTY

COUNTY AUDITOR
BARTHOLOMEW COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

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

- Penalties, Interest, and Other Charges - Internal Revenue Service
- Penalties, Interest, and Other Charges - Utility Bills
- Annual Financial Report
- Capital Assets

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. . . ."

PENALTIES, INTEREST, AND OTHER CHARGES - INTERNAL REVENUE SERVICE

Condition and Context

The County paid penalties and interest to the Internal Revenue Service (IRS) totaling \$302,723 in the year 2023. The penalties and interest were assessed on tax periods from December 2020 through March 2022.

During our review, the County requested 941 Account Transcripts from the IRS for the years 2018 through 2023, which identified additional payments or overpayments made by the County in the prior audit period, totaling \$326,979, which were then applied to penalties and interest assessed by the IRS. These penalties and interest were assessed on tax periods from December 2018 through September 2021.

COUNTY AUDITOR
BARTHOLOMEW COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

The County made numerous attempts to obtain additional information from the IRS to resolve this issue and have attempted to have the penalties waived or refunded. In recent attempts, the IRS representative could not articulate the reason for the penalties assessed and stated the penalty was listed as "Miscellaneous," so the representative was unable to provide any additional information. In a second attempt, the IRS representative provided the County with a fax number and instructed them to fax additional information and to request via fax that the penalties and interest be waived or refunded. Information had been faxed as of August 2024, but no determination in response to the information submitted has been received by the County as of this report date, November 12, 2024.

The IRS representative also indicated that there were additional penalties and interest assessed that remained unpaid, which included civil penalties that were not reflected on the 941 Account Transcripts previously received. The County requested a transcript of all civil penalties, but the representative stated this request needed to be made via fax. The County has requested this information via fax multiple times but, to date, have not been provided with a transcript detailing all civil penalties assessed and paid, so the Indiana State Board of Accounts was unable to determine the outstanding balance as of this report date, November 12, 2024.

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 Counties of Indiana, Chapter 1)

PENALTIES, INTEREST, AND OTHER CHARGES - UTILITY BILLS

Condition and Context

The County paid late fees in 2023 totaling \$1,122 to vendors who provide utility services to the County. Of the invoices selected for testing, 52 were not paid timely, which resulted in late fees being assessed.

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 Counties of Indiana, Chapter 1)

COUNTY AUDITOR
BARTHOLOMEW COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

ANNUAL FINANCIAL REPORT

A similar comment also appeared in prior Report B61656, entitled *ANNUAL FINANCIAL REPORT*.

Condition and Context

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units financial reporting system. The County filed its AFR as prescribed; however, the grant schedule, capital asset information, and leases and debt information entered for the AFR contained the following errors:

Grant Schedule

- The Homeland Security Grant Program expenditures were omitted, which understated expenditures by \$212,216.
- Other grants had individually immaterial errors which resulted in misstatements of expenditures of \$627,615, in total.
- Other errors included incorrect Assistance Listings Numbers, program names, and identifying numbers.

The submitted information is used to generate the Schedule of Expenditures of Federal Awards (SEFA) included in the Federal Compliance Audit Report. Therefore, these errors were also presented in the SEFA. Audit adjustments were proposed, accepted by the County, and made to the SEFA and to the grant schedule within the AFR.

Capital Assets

The County provided supporting documentation for the reported capital assets. However, supporting documentation for the reported capital asset amount was not accurate because the County had not conducted a physical inventory during the last two years, and the list provided had not been properly updated.

Leases and Debt

The County's lease with the Bartholomew County Building Corporation was not properly classified as a lease in the AFR. This resulted in the overstatement of the long-term debt ending principal balance reported in the amount of \$6,215,662 and the understatement of the County's annual lease payments in the amount of \$1,991,000.

The submitted information is used to generate the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report of the County. Adjustments were proposed, accepted by the County, and made to this schedule and the leases and debt information within the AFR.

COUNTY AUDITOR
BARTHOLOMEW 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 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](#)."

CAPITAL ASSETS

A similar comment also appeared in prior Reports B53000, B55571, B57692, B59649, and B61656, entitled *CAPITAL ASSETS*.

Condition and Context

The County did not provide an updated listing of capital assets or evidence that a capital asset inventory had been completed at least once every two years.

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 Counties of Indiana, Chapter 1)

COUNTY AUDITOR
BARTHOLOMEW COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 12, 2024, with Pia O'Connor, County Auditor; Dalene Pattingill, Chief Deputy County Auditor; Carolyn Massengale, Director of Finance; Larry S. Kleinhenz, President of the Board of County Commissioners; and Marcus Speer, County Council member.

COUNTY TREASURER
BARTHOLOMEW COUNTY

COUNTY TREASURER
BARTHOLOMEW COUNTY
AUDIT RESULT AND COMMENT

BANK ACCOUNT RECONCILIATIONS

Condition and Context

The County Treasurer performed monthly reconciliations of the depository balance to the record balance, but internal controls were not effective to ensure all variances were identified. The bank reconciliation included an unidentified variance (cash short) in the amount of \$300,924 as of December 31, 2023.

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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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. . . ."

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 County Treasurers of Indiana, Chapter 1)

COUNTY TREASURER
BARTHOLOMEW COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 12, 2024, with Barbara Hackman, County Treasurer; Sandra Beatty, Chief Deputy County Treasurer; Larry S. Kleinhenz, President of the Board of County Commissioners; and Marcus Speer, County Council member.