

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

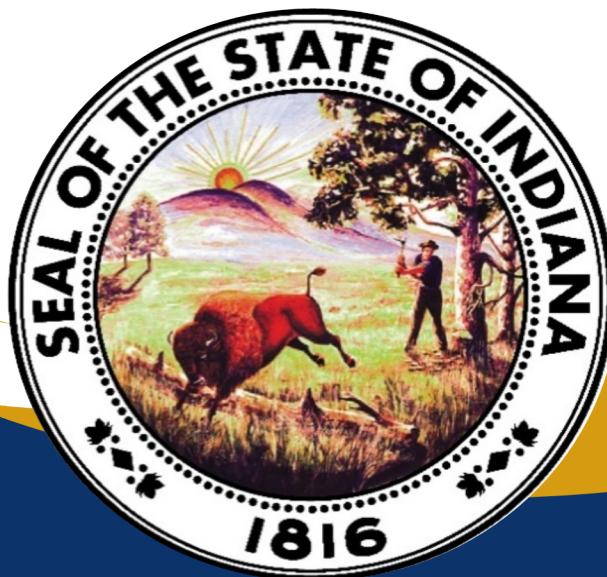
**Paul D. Joyce, CPA  
State Examiner**

SUPPLEMENTAL COMPLIANCE REPORT

OF

BROWN COUNTY, INDIANA

January 1, 2023 to December 31, 2023



**FILED**  
12/10/2024



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
County Auditor:	
Audit Results and Comments:	
Annual Financial Report.....	6-7
Capital Assets .....	7-8
Exit Conference .....	9
Clerk of the Circuit Court:	
Audit Result and Comment:	
Internal Controls over Disbursements.....	12
Exit Conference .....	13

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Julia Reeves	01-01-23 to 12-31-24
County Treasurer	Andrea A. Bond	01-01-23 to 12-31-24
Clerk of the Circuit Court	Pearlette Banks	01-01-23 to 12-31-24
County Sheriff	Brad Stogsdill	01-01-23 to 12-31-24
County Recorder	Mary E. Smith	01-01-23 to 12-31-24
President of the Board of County Commissioners	Jerry Lee Pittman	01-01-23 to 12-31-24
President of the County Council	Gary Huett	01-01-23 to 12-31-24



Paul D. Joyce, CPA  
State Examiner

# INDIANA STATE BOARD OF ACCOUNTS

302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769  
Telephone: (317) 232-2513  
Fax: (317) 232-4711  
[www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF BROWN COUNTY, INDIANA

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

November 21, 2024



COUNTY AUDITOR  
BROWN COUNTY

COUNTY AUDITOR  
BROWN COUNTY  
AUDIT RESULTS AND COMMENTS

**ANNUAL FINANCIAL REPORT**

A similar comment also appeared in prior Report B61793, entitled *INTERNAL CONTROLS OVER FINANCIAL CLOSE AND REPORTING AND DISBURSEMENTS*.

*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 had not established effective internal controls over the information submitted in the AFR, which resulted in the following errors:

*Financial Data*

- The Jail Commissary, the Comm Corr Grant odd year, the Disaster Response Donations, the VA Financial Assist BC Vets, and the Comm Corr Grants Odd Year funds were omitted from the AFR, which understated the beginning cash and investments balance, receipts, disbursements, and ending cash and investments balance by \$60,584, \$298,181, \$274,376, and \$84,389, respectively.
- The Oper Levy Freeze Stabilization fund receipts and disbursements were each overstated by \$388,416 on the AFR.

Adjustments were proposed, accepted by the County, and made to the AFR.

*Grants Schedule*

The grant schedule within the AFR included the following errors:

- The Coronavirus State and Local Fiscal Recovery Funds grant was omitted entirely, which understated the grant schedule by \$1,231,277.
- There were 14 grants with individually immaterial errors that resulted in a misstatement of expenditures in the amount of \$519,189 in total.
- Other errors included incorrect Assistance Listings Number, program names, and identifying numbers.

Adjustments were proposed, accepted by the County, and made to the AFR.

*Capital Assets*

The County provided supporting documentation for the reported capital assets, but it was not correct or complete and did not match the amounts reported in the AFR. The financial reporting framework utilized by the County includes the option to present a Schedule of Capital Assets as Other Information in the Financial Statement Audit Report of the County. The County has elected not to present this schedule.

Adjustments were proposed, accepted by the County, and made to the AFR.

COUNTY AUDITOR  
BROWN COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Leases and Debt*

The leases with the Brown County Maple Leaf Building Corporation were omitted. This resulted in the understatement of the County's annual lease payment by \$755,600. Additionally, immaterial errors were identified as five leases were not reported and one debt was reported in error on the AFR.

Adjustments for the omitted Brown County Maple Leaf Building Corporation leases and debt reporting error were proposed, accepted by the County, and made to the AFR.

*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. . . ."

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 B58927 and B61793, entitled *CAPITAL ASSETS*.

*Condition and Context*

The County had not established effective internal controls over capital assets. The County had not properly maintained a completed inventory of capital assets owned. The detailed capital asset ledger has not been properly updated and no proof of a capital asset inventory having been conducted in the last two years was provided for audit.

COUNTY AUDITOR  
BROWN COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

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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)

COUNTY AUDITOR  
BROWN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 21, 2024, with Julia Reeves, County Auditor; Jerry Lee Pittman, President of the Board of County Commissioners; Ronald A. Sanders, County Commissioner; Gary Huett, President of the County Council; Jim Kemp, County Council member; and Theresa Cobain, County Commissioner's Assistant.



CLERK OF THE CIRCUIT COURT  
BROWN COUNTY

CLERK OF THE CIRCUIT COURT  
BROWN COUNTY  
AUDIT RESULT AND COMMENT

**INTERNAL CONTROLS OVER DISBURSEMENTS**

*Condition and Context*

We were unable to verify the internal controls over the disbursements of the Clerk of the Circuit Court (Clerk) funds for the audit period. Deficiencies in internal controls could allow errors to occur and remain undetected. The established internal control was for disbursements to be made by the Bookkeeper and reviewed by the Clerk; however, the disbursement documentation and reports retained for audit did not present any evidence of an oversight, review, or approval process.

*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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CLERK OF THE CIRCUIT COURT  
BROWN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 21, 2024, with Pearletta Banks, Clerk of the Circuit Court; Megan Niles, Deputy Clerk of the Circuit Court; Jerry Lee Pittman, President of the Board of County Commissioners; Ronald A. Sanders, County Commissioner; Gary Huett, President of the County Council; Jim Kemp, County Council member; and Theresa Cobain, County Commissioner's Assistant.