

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MONTGOMERY COUNTY, INDIANA

January 1, 2023 to December 31, 2023



**FILED**

09/30/2024



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
County Auditor:	
Audit Results and Comments:	
Timely Recording .....	6
Annual Financial Report - Other Information .....	7
Capital Assets .....	8
Exit Conference .....	9
County Treasurer:	
Audit Result and Comment:	
Bank Account Reconciliations .....	12
Exit Conference .....	13
Clerk of the Circuit Court:	
Audit Result and Comment:	
Bank Account Reconcilements .....	16
Exit Conference .....	17

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Mindy Byers	01-01-23 to 12-31-24
County Treasurer	Heather Laffoon	01-01-23 to 12-31-24
Clerk of the Circuit Court	Karyn Douglas Lean Denbo Sondra Sixberry	01-01-23 to 12-31-23 01-01-24 to 07-26-24 07-27-24 to 12-31-24
County Sheriff	Ryan Needham	01-01-23 to 12-31-24
County Recorder	Jennifer Pursell Nancy Cox	01-01-23 to 04-05-24 04-06-24 to 12-31-24
President of the Board of County Commissioners	John Frey	01-01-23 to 12-31-24
President of the County Council	David Hunt	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 MONTGOMERY COUNTY, INDIANA

This report is supplemental to the audit report of Montgomery 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

September 26, 2024

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COUNTY AUDITOR  
MONTGOMERY COUNTY

COUNTY AUDITOR  
MONTGOMERY COUNTY  
AUDIT RESULTS AND COMMENTS

**TIMELY RECORDING**

*Condition and Context*

Due to the lack of internal controls related to receipts and disbursements transactions were not posted in a timely manner:

- Of the 21 receipt transactions tested during the substantive testing, 2 were not posted in the unit's ledgers at the time of the transaction and, therefore, were not posted in a timely manner. The transactions were posted nine weeks after the posting date reflected on the Regions Bank statements.
- Of the 10 disbursement transactions tested during significant transactions, 4 were not posted in the County's ledgers at the time of the transaction and, therefore, were not posted in a timely manner. The transactions were posted four to six weeks after the posting date reflected on the Regions Bank statements. Of these transactions, 2 were not posted in the correct accounting period. The transactions were reflected on the December 2022 Regions Bank statement but were posted in the County's ledger in January 2023.

*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. . . ."

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.

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction.

1) (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter

COUNTY AUDITOR  
MONTGOMERY COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**ANNUAL FINANCIAL REPORT - OTHER INFORMATION**

*Condition and Context*

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The County had not established effective internal controls over the preparation of the AFR entered into Gateway to ensure information entered into Gateway was accurate. Due to the lack of effective internal controls, the AFR information entered into Gateway as of December 31, 2023, included the following errors:

*Capital Assets*

The County prepared and submitted the capital assets information into Gateway. However, the information entered into Gateway did not agree with the detailed records provided by the County. The capital asset information submitted contained the following errors:

- Construction in Progress was overstated by \$2,390,658.
- Machinery, Equipment, and Vehicles was overstated by \$210,229.
- Redevelopment Authority Land was overstated by \$81,958.
- Redevelopment Authority Construction in Progress was understated by \$668,212.

Audit adjustments were presented, approved by the County, and made to the Schedule of Capital Assets 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.

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](#)."

COUNTY AUDITOR  
MONTGOMERY COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**CAPITAL ASSETS**

*Condition and Context*

Due to a lack of effective internal controls, the County did not properly maintain a detailed listing of capital assets during the audit period. Of the 10 capital assets selected for testing, 5 were not recorded in the detailed capital asset listing.

*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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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 detailed 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  
MONTGOMERY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 26, 2024, with Mindy Byers, County Auditor; Jennifer Andel, Deputy County Auditor; John Frey, President of the Board of County Commissioners; Jake Bohlander, County Council member; and Steve Loy, County Council member.

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COUNTY TREASURER  
MONTGOMERY COUNTY

COUNTY TREASURER  
MONTGOMERY COUNTY  
AUDIT RESULT AND COMMENT

**BANK ACCOUNT RECONCILIATIONS**

*Condition and Context*

Combined bank reconcilements were completed by the County Treasurer on a monthly basis. However, due to a lack of effective internal controls, for the bank statements from Regions Bank, which were not always received in a timely manner, the County Treasurer used the last available statement when preparing the combined bank reconciliation. Since transactions from these statements were not recorded until the statement was received, this sometimes resulted in a statement for the previous month being used in the combined reconciliation. The following instances were identified:

- The March 2023 bank reconciliation was completed using the February 2023 Regions Bank statements.
- The June 2023 bank reconciliation was completed using the April 2023 Regions Bank Statements.
- The September 2023 bank reconciliation was completed using the July 2023 Regions Bank Statements.
- The January 2024 bank reconciliation was completed using the December 2023 Regions Bank Statements. The November 2023 Regions Bank Statements were not included in any monthly bank reconciliation.

*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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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."

COUNTY TREASURER  
MONTGOMERY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 26, 2024, with Mindy Byers, County Auditor; Jennifer Andel, Deputy County Auditor; John Frey, President of the Board of County Commissioners; Steve Loy, County Council member; Heather Laffoon, County Treasurer; Tom Klein, County Administrator; and Dan Taylor, County Attorney.

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CLERK OF THE CIRCUIT COURT  
MONTGOMERY COUNTY

CLERK OF THE CIRCUIT COURT  
MONTGOMERY COUNTY  
AUDIT RESULT AND COMMENT

**BANK ACCOUNT RECONCILEMENTS**

*Condition and Context*

The County had designed an internal control over the bank reconcilements to ensure accuracy and completeness. The Clerk of the Circuit Court's (Clerk) ISETS bank account reconciliation was to be prepared by the Clerk and reviewed by the Financial Coordinator. However, there was no documented evidence of the implementation of this control from January 2023 to December 2023.

*Criteria*

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CLERK OF THE CIRCUIT COURT  
MONTGOMERY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 26, 2024, with Mindy Byers, County Auditor; Jennifer Andel, Deputy County Auditor; John Frey, President of the Board of County Commissioners; Steve Loy, County Council member; Sondra Sixberry, Clerk of the Circuit Court; Dan Taylor, County Attorney; Lena Custer, Financial Coordinator; and Angie Peebles, Chief Deputy Clerk of the Circuit Court.