

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

NOBLE COUNTY, INDIANA

January 1, 2023 to December 31, 2023



**FILED**  
09/27/2024



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
County Auditor:	
Audit Results and Comments:	
Internal Controls .....	6
Annual Financial Report .....	6-8
Annual Financial Report - Other Information .....	8-9
Community Crossings Grant .....	9-10
Local Income Tax Distribution .....	10
Overdrawn Cash Balances .....	10-11
Approval of Disbursements .....	11
Exit Conference .....	12
Board of County Commissioners:	
Audit Result and Comment:	
Approval of Disbursements .....	14
Exit Conference .....	15

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Shelley Mawhorter	01-01-23 to 12-31-24
County Treasurer	Natasha Campbell	01-01-23 to 12-31-24
Clerk of the Circuit Court	Tammy Bremer	01-01-23 to 12-31-24
County Sheriff	Max Weber	01-01-23 to 12-31-24
County Recorder	Tonya Jones	01-01-23 to 12-31-24
President of the Board of County Commissioners	Gary Leatherman	01-01-23 to 12-31-24
President of the County Council	George Bennett	01-01-23 to 12-31-24



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF NOBLE COUNTY, INDIANA

This report is supplemental to the audit report of Noble 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 18, 2024

(This page intentionally left blank.)

COUNTY AUDITOR  
NOBLE COUNTY

COUNTY AUDITOR  
NOBLE COUNTY  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

*Condition and Context*

Internal control deficiencies resulted in noncompliance over:

- Annual Financial Report
- Annual Financial Report - Other Information
- Community Crossings Grant
- Local Income Tax Distribution
- Overdrawn Cash Balances - Dormant Funds
- Allowance of Disbursements

*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. . . ."

**ANNUAL FINANCIAL REPORT**

A similar comment also appeared in prior Reports B57894, B59571, and 000000403S, entitled *ANNUAL FINANCIAL REPORT*.

*Condition and Context*

Financial and supplemental 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 did not properly review the information prepared and submitted in Gateway. Although one employee prepared and entered the information into Gateway, and another employee reviewed and approved the information entered, the internal controls were not effective and did not detect and allow correction of errors prior to submission.

COUNTY AUDITOR  
NOBLE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Due to the lack of effective internal controls, the AFR financial and grants data included the following errors:

*Financial Data*

- The beginning and ending cash and investments balances were overstated for funds 2051, 16.523 Juv. Inc., and 4201, Civil Service Fee, by \$75,954 and \$125,272, respectively.
- The receipts and ending cash and investment balance were overstated for fund 5261, Medicare, by \$205,381.
- The receipts and disbursements of fund 8171, Problem Solving Grant, were understated by \$10,000 and \$16,022, respectively. The ending cash and investment balance was overstated by \$6,022.
- The receipts, disbursements, and ending cash and investment balance of fund 9198, Courthouse Reno Bond, was not reported on the AFR for the following amounts respectively, \$1,012,254; \$45,705; and \$966,549.
- The beginning cash and investment balance, receipts, and disbursements of the Clerk's Trust Fund were understated by \$500; \$4,659,379; and \$4,820,185, respectively. The ending cash and investment balance was overstated by \$160,306.
- The beginning and ending cash and investment balances of the Sheriff's Inmate Trust fund was overstated by \$36,069.

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

*Grants*

- Eight programs reported were not federal grants, which overstated expenditures by \$793,399.
- Three federal grants were not reported, which understated expenditures by \$199,972.
- The Highway Planning and Construction grants were overstated by \$652,435.
- The Formula Grants for Rural Areas and Tribal Transit Program expenditures were overstated by \$1,087,227.
- The Child Support Enforcement expenditures were understated by \$160,141.
- The Opioid STR expenditures were overstated by \$362,891.
- Seven additional grants had immaterial errors, which resulted in misstatements of expenditures of \$96,024, in total.

COUNTY AUDITOR  
NOBLE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

- The amounts reported as passed through to subrecipients was understated by \$96,390.
- Other errors included incorrect program names, pass-through entities, and identifying numbers.

Audit adjustments were proposed, accepted by the County, and made to the Schedule of Expenditures of Federal Awards presented as Other Information in the Federal Compliance Audit Report of the County.

*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](#)."

**ANNUAL FINANCIAL REPORT - OTHER INFORMATION**

*Condition and Context*

Other information is required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The County did not properly review the information prepared and submitted in Gateway. Although one employee prepared and entered the information into Gateway, and another employee reviewed and approved the information entered, the internal controls were not effective and did not detect and allow correction of errors prior to submission.

Due to the lack of effective internal controls, the AFR Other Information included the following errors:

*Disbursements by Fund*

All disbursements were classified as "Other Disbursements" in the AFR. Disbursement classifications should have included personal services, supplies, other services and charges, capital outlay, and debt service - principal and interest. The following classification adjustments were proposed, accepted by the County, and made to the Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented in the Financial Statement Audit Report of the County.

COUNTY AUDITOR  
NOBLE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Category	Amount Overstated (Understated)
Other Disbursements	\$ 136,685,004
Personal Services	(18,213,457)
Supplies	(2,150,104)
Other Service Charges	(109,086,563)
Capital Outlay	(7,234,880)
Total	\$ -

*Payables and Receivables*

The County did not report any accounts receivable in the AFR. However, we determined that the County had unpaid property taxes in excess of \$1,750,000 as of December 31, 2023, which should have been reported as accounts receivable. An adjustment was proposed, accepted by the County, and made to the Schedule of Payables and Receivables presented as Other Information in the Financial Statement Audit Report of the County.

*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](#)."

**COMMUNITY CROSSINGS GRANT**

*Condition and Context*

The County posted \$1,653,971 of Community Crossings State Grants Funds to the Motor Vehicle Highway Fund when it should have been posted to a separate fund designated to Community Crossings State Grants.

*Criteria*

If a political subdivision receives state grant money requiring local matching money, the political subdivision should create a special fund and deposit the grant money and matching money into the special fund. The money in the fund may be used only for the purposes of the grant.

COUNTY AUDITOR  
NOBLE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

If a political subdivision completes the project for which the state grant money was provided and money remains in the fund:

1. The political subdivision shall transfer the state's share of the remaining money to the Treasurer of State for deposit in the fund from which the grant was made; and
2. The political subdivision's pro rate share of the remaining money reverts to the political subdivision's general fund. (IC 36-1-8-12)

(Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

**LOCAL INCOME TAX DISTRIBUTION**

*Condition and Context*

A Supplemental Local Income Tax distribution from the State of Indiana in the amount of \$2,904,063 was not properly posted to the LIT distribution funds. This resulted in an overstatement of \$414,866 for the LIT Certified Shares Fund and an understatement of \$414,866 for the LIT Public Safety Fund.

*Criteria*

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 Auditors of Indiana, Chapter 1)

**OVERDRAWN CASH BALANCES - DORMANT FUNDS**

A similar comment appeared in a Management Letter addressed to County officials for the audit period ending December 31, 2022.

*Condition and Context*

The financial statement included the following funds with overdrawn cash and investment balances as of December 31, 2023, which were not attributed to timing of reimbursements:

Fund Number	Fund	Amount Overdrawn
50	Prosecutor's Equitable Sharing	\$ 593
7100	HMEP Grant	9,855
8109	SAVE Grant	1,650
9102	Pros. Stop Grant CFDA #16.588	279
9104	Dangerous Aggressive Driving	178
9155	11/12 EMPG Competitive Grant	16
9157	Community Corrections	416
9197	Comm. Development Block Grant	5,000

COUNTY AUDITOR  
NOBLE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

In addition, a total of 37 funds appear to be dormant as of December 31, 2023.

*Criteria*

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. In an instance in which a unit receives a reimbursement grant, the unit must be claiming reimbursement in a timely manner. In this case, it would be possible for a fund to be overdrawn for a short period of time. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

Sources and uses of funds must be limited to those authorized by enabling law, ordinance/resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

**APPROVAL OF DISBURSEMENTS**

*Condition and Context*

Out of 22 vendor disbursements tested for compliance with laws and regulations, 5 did not have evidence to support approval by the Board of County Commissioners. Other claims tested were supported by an Allowance of Vouchers Form with an attached Claims Register or a printed Excel Report that lists the disbursements by vendor, date, and amount.

*Criteria*

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

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

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

- (2) there is a fully itemized invoice or bill for the claim;
- (3) the invoice or bill is approved by the officer or person receiving the goods and services;
- (4) the invoice or bill is filed with the governmental entity's fiscal officer;
- (5) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (6) 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  
NOBLE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 18, 2024, with Shelley Mawhorter, County Auditor; Nicole Noe, Deputy County Auditor; Gary Leatherman, President of the Board of County Commissioners; Anita Hess, County Commissioner; George Bennett, President of the County Council; and Doug Harp, County Council member.

BOARD OF COUNTY COMMISSIONERS  
NOBLE COUNTY

BOARD OF COUNTY COMMISSIONERS  
NOBLE COUNTY  
AUDIT RESULT AND COMMENT

**APPROVAL OF DISBURSEMENTS**

*Condition and Context*

Internal controls in place were not effective in ensuring supporting documentation was maintained for approval of disbursements. Out of 22 vendor disbursements tested for compliance with laws and regulations, 5 did not have evidence to support approval by the Board of County Commissioners. Other claims tested were supported by an Allowance of Vouchers Form with an attached Claims Register or a printed Excel Report that lists the disbursements by vendor, date, and amount.

*Criteria*

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

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

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

- (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; and
- (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. . . ."

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. . . ."

BOARD OF COUNTY COMMISSIONERS  
NOBLE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 18, 2024, with Shelley Mawhorter, County Auditor; Nicole Noe, Deputy County Auditor; Gary Leatherman, President of the Board of County Commissioners; Anita Hess, County Commissioner; George Bennett, President of the County Council; and Doug Harp, County Council member.