

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

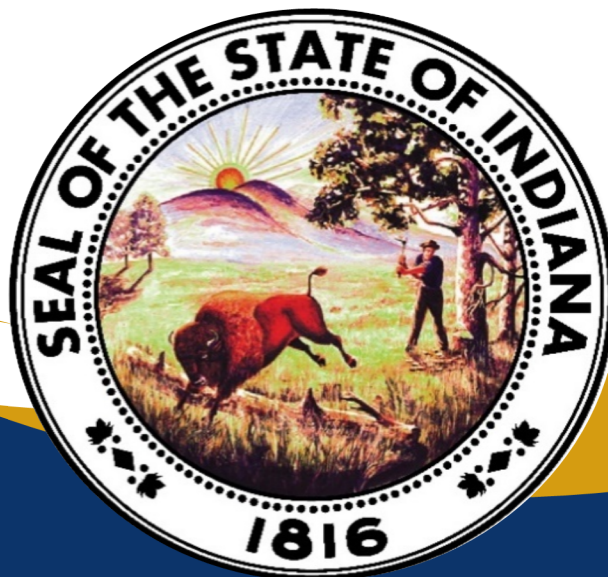
**Paul D. Joyce, CPA  
State Examiner**

SUPPLEMENTAL COMPLIANCE REPORT

OF

STARKE COUNTY, INDIANA

January 1, 2023 to December 31, 2023



**FILED**  
12/23/2024



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
County Auditor:	
Audit Results and Comments:	
Internal Controls over Financial Transactions and Reporting.....	6-7
Internal Controls - Compliance .....	7-8
Reconcilement of the Monthly Financial Statement (Form 61).....	8
Annual Financial Report.....	9
Motor Vehicle Highway (MVH) - Restricted Fund .....	10
CEDIT - Special Jail Project Fund Uses .....	10-11
Exit Conference .....	12
County Treasurer:	
Audit Results and Comments:	
Internal Controls - Compliance .....	14
Bank Account Reconciliations.....	14-15
Reconcilement of the Monthly Financial Statement (Form 61).....	15
Monthly and Annual Uploads .....	15-16
Exit Conference .....	17
Board of County Commissioners:	
Audit Result and Comment:	
Public Works Project.....	20-22
Exit Conference .....	23
Clerk of the Circuit Court:	
Audit Result and Comment:	
Clerk's Trust Items .....	26-27
Exit Conference .....	28
County Sheriff:	
Audit Results and Comments:	
Internal Controls - Compliance .....	30
Financial Reporting .....	30-31
Jail Commissary Fund.....	31
CEDIT - Special Jail Project Fund Uses .....	31-32
Exit Conference .....	33

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Rachel Oesterreich (Vacant) Michaelene Houston	01-01-23 to 06-30-24 07-01-24 to 07-21-24 07-22-24 to 12-31-24
County Treasurer	Lauri Venckus	01-01-23 to 12-31-24
Clerk of the Circuit Court	Bernadette Manuel	01-01-23 to 12-31-24
County Sheriff	Jack Rosa	01-01-23 to 12-31-24
County Recorder	Mandy Thomason	01-01-23 to 12-31-24
President of the Board of County Commissioners	Charles Chesak Don Binkley	01-01-23 to 12-31-23 01-01-24 to 12-31-24
President of the County Council	Dave Pearman	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 STARKE COUNTY, INDIANA

This report is supplemental to our audit report of Starke 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 our 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 25, 2024



COUNTY AUDITOR  
STARKE COUNTY

COUNTY AUDITOR  
STARKE COUNTY  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

*Condition and Context*

There were deficiencies in the internal control system of the County related to financial transactions and reporting. The County had not separated incompatible activities related to disbursements and financial close and reporting.

*Disbursements*

The County had not properly designed or implemented internal controls to ensure the accuracy of investment transactions and transfers between funds. Due to the lack of internal controls disbursement errors remained undetected by the County.

The County purchased a \$5,900,000 investment from the Save the Hospital Fund cash balance. The County recorded a disbursement from the Save the Hospital Fund and classified the purchase as an Other Disbursement instead of a Purchase of Investment. Due to the recording error, the purchase of the investment was incorrectly reported as a disbursement from the fund. As a result, the Save the Hospital Fund disbursements were overstated and the ending cash and investment balance was understated by \$5,900,000 each.

The County transferred the balance of the 2015 Reassessment fund to a new Assessor Reassessment fund in 2023. Transfers between funds are to be recorded as receipts in the receiving fund and as disbursements in the giving fund. However, the County recorded a negative receipt in the giving fund instead of a disbursement and then omitted reporting the negative receipt in the annual financial report. This resulted in the 2015 Reassessment fund disbursements were understated and the ending cash and investment balance was overstated by \$134,646 each.

*Financial Close and Reporting*

An Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units financial reporting system, which was the source for the financial statement. There was a review process in place to detect and correct errors prior to submission; however, it was determined to not be effective.

Due to the lack of effective internal controls over disbursements and reporting, the following adjustments were proposed, accepted by the County, and made to the financial statement and 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:

- The Save the Hospital Fund disbursements were overstated, and the ending cash and investment balance was understated by \$5,900,000 each.
- The 2015 Reassessment fund disbursements were understated, and the ending cash and investment balance was overstated by \$134,646 each.

COUNTY AUDITOR  
STARKE 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](#)."

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. . . ."

**INTERNAL CONTROLS - COMPLIANCE**

*Condition and Context*

Internal control deficiencies resulted in noncompliance over:

- Reconciliation of the Monthly Financial Statement (Form 61)
- Annual Financial Report
- Motor Vehicle Highway Restricted Fund
- CEDIT - Special Jail Project Fund Uses

These internal control deficiencies are further detailed in the comments below.

COUNTY AUDITOR  
STARKE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*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. . . ."

**RECONCILEMENT OF THE MONTHLY FINANCIAL STATEMENT (FORM 61)**

*Condition and Context*

The County did not have a system of internal controls over the County Auditor's reconciliation of the Monthly Financial Statement (Form 61) to ensure it had been performed monthly and that the County Treasurer's and the County Auditor's independently prepared statements reconciled.

Monthly bank reconciliations of the record balances to the depository and investment balances had not been completed since April 2023 by the County Treasurer, which was to occur prior to the reconciliation of the County Auditor's and the County Treasurer's independently prepared Monthly Financial Statements. Thus, the validity of the reconciliation of the County Auditor's and the County Treasurer's independently prepared Monthly Financial Statements, was not properly supported or effective to detecting and correcting errors timely. Out of the six months tested, 67 percent were not completed till five months after month end.

*Criteria*

At the close of each calendar month a Monthly Financial Statement, County Form No. 61, shall be prepared, showing the financial transactions for the month and year to date, for each fund and in total.

The county treasurer is also required to independently prepare a Monthly Financial Statement on the same form and the two statements must be reconciled. If any differences exist between the records of the auditor and the treasurer, they must be identified and immediate steps taken to bring the records of the two offices into agreement.

The statements are prescribed to be placed in a post-binder and shall be carefully preserved as a permanent record.

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

COUNTY AUDITOR  
STARKE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

***ANNUAL FINANCIAL REPORT***

The same comment also appeared in prior Reports B60415 and 000000338S, entitled *ANNUAL FINANCIAL REPORT - OTHER INFORMATION*.

*Condition and Context*

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units financial reporting system. Effective internal controls were not established to ensure the accuracy, completeness, and timeliness of the information submitted in the AFR, which resulted in the following errors:

*Leases*

The County omitted the information for the lease with the Starke County Building Corporation, resulting in an understatement of the annual lease payments by \$1,067,000.

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

*Accounts Payable and Accounts Receivable*

The AFR included accounts payable and accounts receivable amounts of \$239,741 and \$1,046,334, respectively. However, we could not determine the validity of the amounts reported since supporting documentation was not provided for review.

The AFR is the basis for the other information presented. Due to the material errors noted, the County approved the omission of the Schedule of Payables and Receivables from the Financial Statement Audit Report of the County.

*Investment Fund Statement*

The Investment Fund Statement did not properly report fund investments. The County had a \$5,900,000 fund investment purchased in April 2023 that should have been reported as the ending investment balance at December 31, 2023. No investment activity was reported.

*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](#)."

COUNTY AUDITOR  
STARKE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND**

The same comment also appeared in prior Reports B57621, B60415, and 000000338S.

*Condition and Context*

Internal controls had not been properly designed or implemented to verify that claims being paid from the MVH Restricted fund were for the construction, reconstruction, and preservation of County roadways. The County created a Motor Vehicle Highway Restricted sub-fund within the Highway Department fund and posted 50 percent of the state motor vehicle highway distributions to the sub-fund as required. The MVH Restricted sub-fund is to be used exclusively for the construction, reconstruction, and preservation of the County's highways.

Of the MVH Restricted fund claims during the year, 21 were selected for testing. Of the claims tested, purchases for fuel, gloves, and the payment of payroll that did not include documentation related to specific projects were noted. We were unable to determine if these expenditures were for the construction, reconstruction, and preservation of the County's highways.

*Criteria*

Indiana Code 8-14-1-4(b) states: "Except as provided in subsection (c), for funds distributed to a county from the motor vehicle highway account, the county shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the county's highways."

**CEDIT - SPECIAL JAIL PROJECT FUND USES**

*Condition and Context*

Internal controls were not in place to ensure the uses of the CEDIT - Special Jail Project fund complied with state statutes.

The County Council imposed a special income tax to address jail capacity and appropriate inmate living conditions. The revenue from the special income tax has restricted uses for the financing, constructing, acquiring, and equipping the county jail per Indiana Code 6-3.6-7-21.

A review of the disbursements recorded to the CEDIT - Special Jail Project fund determined that some of the funds were for operational expenses, which included paying for prisoner meals. These costs did not fall under one of the restricted use categories in Indiana Code 6-3.6-7-21.

Furthermore, the prisoner meals from the CEDIT - Special Jail Project fund is not an allowed method of payment for prisoner meals under Indiana Code 36-2-13-2.5(b)(4).

*Criteria*

Indiana Code 6-3.6-7-21 states in part:

"(a) This section applies only to Starke County. . . .

(d) Revenue from a tax under this section may be used only for the following purposes:

COUNTY AUDITOR  
STARKE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (1) To finance, construct, acquire, and equip the county jail and related buildings and parking facilities, including costs related to the demolition of existing buildings, the acquisition of land, and any other reasonably related costs.
- (2) To repay bonds issued or leases entered into for constructing, acquiring, and equipping the county jail and related buildings and parking facilities, including costs related to the demolition of existing buildings, the acquisition of land, and any other reasonably related costs. . . ."

Indiana Code 36-2-13-2.5(b)(4) states:

"A procedure for financing prisoners' meals that uses one (1) of the following methods:

(A) The county fiscal body shall make an appropriation in the usual manner from the county general fund to the sheriff for feeding prisoners. The sheriff or the sheriff's officers, deputies, or employees may not make a profit from the appropriation. The sheriff shall deposit all meal allowances received under [IC 36-8-10-7](#) in the county general fund for use for any general fund purpose.

(B) The sheriff shall pay for feeding prisoners from meal allowances received under [IC 36-8-10-7](#). The sheriff or the sheriff's officers, deputies, or employees may not make a profit from the meal allowances. After the expenses of feeding prisoners are paid, the sheriff shall deposit any unspent meal allowance money in the county general fund for use for any general fund purpose."

COUNTY AUDITOR  
STARKE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 25, 2024, with Michaelene Houston, County Auditor; Rachel Oesterreich, former County Auditor; Don Binkley, President of the Board of County Commissioners; Dave Pearman, President of the County Council; Todd Leinbach, County Council member; and Kay Gudeman, County Council member.

COUNTY TREASURER  
STARKE COUNTY

COUNTY TREASURER  
STARKE COUNTY  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS - COMPLIANCE**

*Condition and Context*

Internal control deficiencies resulted in noncompliance over:

- Bank Account Reconciliations
- Reconciliation of the Monthly Financial Statement (Form 61)
- Monthly and Annual Uploads

These internal control deficiencies are further detailed in the comments below.

*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. . . ."

**BANK ACCOUNT RECONCILIATIONS**

A similar comment appeared in the prior Reports B57621 and B60415, entitled *FINANCIAL TRANSACTIONS AND REPORTING – TREASURER*, and 000000338S, entitled *FINANCIAL TRANSACTIONS - BANK RECONCILIATIONS*.

*Condition and Context*

Internal controls had not been designed to ensure reconciliations of the accounting records balances to the bank depository balances were completed at least monthly, as required by state statute.

The County Treasurer had not completed monthly reconciliations ensuring the accuracy and completeness of financial transactions, including the investment activity, of the records since April 2023.

COUNTY TREASURER  
STARKE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Additional audit procedures were performed, which included a cursory bank reconciliation for December 31, 2023. A cursory bank reconciliation consists of adjusting the depository balances for checks and deposits that cleared the bank in January 2024 but were recorded in the records as of December 31, 2023. The adjusted depository balance was determined to be greater than the ledger and financial statement by approximately \$123,000 at December 31, 2023. The ledger and financial statement were not adjusted for these variances.

*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."

**RECONCILEMENT OF THE MONTHLY FINANCIAL STATEMENT (FORM 61)**

*Condition and Context*

The County did not have a system of internal controls over the County Auditor's reconciliation of the Monthly Financial Statement (Form 61) to ensure it had been performed monthly and that the County Treasurer's and the County Auditor's independently prepared statements reconciled.

Monthly bank reconciliations of the record balances to the depository and investment balances had not been completed since April 2023 by the County Treasurer, which was to occur prior to the reconciliation of the County Auditor's and the County Treasurer's independently prepared Monthly Financial Statement. Thus, the validity of the reconciliation of the County Auditor's and the County Treasurer's independently prepared Monthly Financial Statements was not properly supported or effective to detecting and correcting errors timely. Out of the six months tested, four were not completed until five months after month end.

*Criteria*

The Monthly Financial Statement, Form 61, is a permanent record prepared from the treasurer's funds ledger at the close of each month. It is prepared after all postings to the ledger have been completed for the month and reflects the total receipts and disbursements and the balance for each fund for the month and for the year to date. The statement must agree with a similar statement kept by the county auditor, giving consideration to any adjustments required to reconcile the ledgers of the two offices. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 5)

**MONTHLY AND ANNUAL UPLOADS**

This same comment appeared in a Management Letter addressed to the County Officials for the audit period ending December 31, 2022.

*Condition and Context*

Internal controls were not in place for the County Treasurer's required monthly and annual uploads to the Indiana Gateway for Government Units (Gateway) financial reporting system as directed by the State Examiner Directive.

COUNTY TREASURER  
STARKE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

The County Treasurer is required to upload to Gateway each month the Bank Reconcilements, Bank Statements, Outstanding Check Lists, Cash Balance Report (Cash Book), and Documentation of Reconciliation of Form 61 between the County Auditor and the County Treasurer. Annual upload requirements include the Year-end Investment Statements.

For 2023, 11 monthly Bank Reconciliations, none of the monthly Bank Statements, Outstanding Check Lists, or Documentation of Reconciliation of Form 61 between the County Auditor and the County Treasurer, or the annual Year-end Investment Statements were uploaded to Gateway as required.

*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. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

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 Treasurers of Indiana, Chapter 1)

COUNTY TREASURER  
STARKE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 25, 2024, with Lauri Venckus, County Treasurer; Michaelene Houston, County Auditor; Rachel Oesterreich, former County Auditor; Don Binkley, President of the Board of County Commissioners; Dave Pearman, President of the County Council; Todd Leinbach, County Council member; and Kay Gudeman, County Council member.



BOARD OF COUNTY COMMISSIONERS  
STARKE COUNTY

BOARD OF COUNTY COMMISSIONERS  
STARKE COUNTY  
AUDIT RESULT AND COMMENT

**PUBLIC WORKS PROJECT**

*Condition and Context*

Internal controls were not in place to ensure compliance with procurement methods allowed by state statute.

On November 20, 2023, the County Commissioners approved a \$169,250 quote for the courthouse renovation project. The County renovated the courthouse totaling \$169,250. However, the County did not comply with any of the bidding procedures required by Indiana Code 36-1-12-4 when the cost of a public work project is \$150,000 or greater. The Board of County Commissioners' minutes did not document any special process or emergency decision that would have excluded the project from the bidding requirements or approved a contract for the project.

*Criteria*

Indiana Code 36-1-12-2(a) states:

"As used in this chapter, 'public work' means the construction, reconstruction, alteration, or renovation of a public building, airport facility, or other structure that is paid for out of a public fund or out of a special assessment. The term includes the construction, alteration, or repair of a highway, street, alley, bridge, sewer, drain, or other improvement that is paid for out of a public fund or out of a special assessment. The term also includes any public work leased by a political subdivision under a lease containing an option to purchase."

Indiana Code 36-1-12-4 states in part:

"(a) This section applies whenever the cost of a public work project will be: . . .

(2) One hundred fifty thousand dollars (\$150,000) . . .

(b) The board must comply with the following procedure:

(1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. If the project involves the resurfacing (as defined by [IC 8-14-2-1](#)) of a road, street, or bridge, the specifications must show how the weight or volume of the materials will be accurately measured and verified.

(2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3).

(3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with [IC 5-3-1](#) calling for sealed proposals for the public work needed. If the board receives electronic bids as set forth in subsection (d), the board shall also provide electronic access to the notice of the bid solicitation through the computer gateway administered under [IC 4-13.1-2-2\(a\)\(6\)](#) by the office of technology.

(4) The notice must specify the place where the plans and specifications are on file and the date fixed for receiving bids.

BOARD OF COUNTY COMMISSIONERS  
STARKE COUNTY  
AUDIT RESULT AND COMMENT  
(Continued)

- (5) The period of time between the date of the first publication and the date of receiving bids shall be governed by the size of the contemplated project in the discretion of the board. The period of time between the date of the first publication and receiving bids may not be more than:
- (A) six (6) weeks if the estimated cost of the public works project is less than twenty-five million dollars (\$25,000,000); and
  - (B) ten (10) weeks if the estimated cost of the public works project is at least twenty-five million dollars (\$25,000,000).
- (6) The board shall require the bidder to submit a financial statement, a statement of experience, a proposed plan or plans for performing the public work, and the equipment that the bidder has available for the performance of the public work. The statement shall be submitted on forms prescribed by the state board of accounts.
- (7) The board may not require a bidder to submit a bid before the meeting at which bids are to be received. The meeting for receiving bids must be open to the public. All bids received shall be opened publicly and read aloud at the time and place designated and not before. Notwithstanding any other law, bids may be opened after the time designated if both of the following apply:
- (A) The board makes a written determination that it is in the best interest of the board to delay the opening.
  - (B) The day, time, and place of the rescheduled opening are announced at the day, time, and place of the originally scheduled opening.
- (8) Except as provided in subsection (c), the board shall:
- (A) award the contract for public work or improvements to the lowest responsible and responsive bidder; or
  - (B) reject all bids submitted.
- (9) If the board awards the contract to a bidder other than the lowest bidder, the board must state in the minutes or memoranda, at the time the award is made, the factors used to determine which bidder is the lowest responsible and responsive bidder and to justify the award. The board shall keep a copy of the minutes or memoranda available for public inspection. . . ."

Indiana Code 36-1-12-19 states in part:

". . . (b) The cost of a single public works project may not be divided into two (2) or more projects for the purpose of avoiding the requirements to solicit bids.

(c) A bidder or quoter or a person who is party to a public work contract who knowingly violates this law commits a Class A infraction and may not be a party to or benefit from any contract for two (2) years from the date of the conviction.

(d) Any board member or officer of a political subdivision who knowingly violates this law commits a Class A infraction."

BOARD OF COUNTY COMMISSIONERS  
STARKE COUNTY  
AUDIT RESULT AND COMMENT  
(Continued)

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Counties 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:

"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  
STARKE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 25, 2024, with Michaelene Houston, County Auditor; Rachel Oesterreich, former County Auditor; Don Binkley, President of the Board of County Commissioners; Dave Pearman, President of the County Council; Todd Leinbach, County Council member; and Kay Gudeman, County Council member.



CLERK OF THE CIRCUIT COURT  
STARKE COUNTY

CLERK OF THE CIRCUIT COURT  
STARKE COUNTY  
AUDIT RESULT AND COMMENT

**CLERK'S TRUST ITEMS**

The same comment also appeared in prior Reports B57621, B60415, and 000000338S.

*Condition and Context*

Internal controls were not in place to ensure that Clerk's Trust items were properly and timely distributed. The amount of the forfeited bond shall be transferred to the state common school fund less any court fees retained by the Clerk of the Circuit Court (Clerk) or any amounts collected in satisfaction of a judgement.

The Clerk had \$664,704 held in trust on December 31, 2023. Of the 25 trust items tested, 14, or 56 percent, were determined to not have been properly distributed as follows:

- Of the trust items tested, 8 had orders to distribute but remained held in trust.
- Of the trust items tested, 2 bonds should have been sent to unclaimed property.
- Of the trust items tested, 4 bonds remained that should have been forfeited or distributed but were waiting on an order from the court.

*Criteria*

Indiana Code 35-33-8-7 states:

"(a) If a defendant:

- (1) was admitted to bail under section 3.2(a)(2) of this chapter; and
- (2) has failed to appear before the court as ordered;

the court shall, except as provided in subsection (b) or section 8(b) of this chapter, declare the bond forfeited not earlier than one hundred twenty (120) days or more than three hundred sixty-five (365) days after the defendant's failure to appear and issue a warrant for the defendant's arrest.

(b) In a criminal case, if the court having jurisdiction over the criminal case receives written notice of a pending civil action or unsatisfied judgment against the criminal defendant arising out of the same transaction or occurrence forming the basis of the criminal case, funds deposited with the clerk of the court under section 3.2(a)(2) of this chapter may not be declared forfeited by the court, and the court shall order the deposited funds to be held by the clerk. If there is an entry of final judgment in favor of the plaintiff in the civil action, and if the deposit and the bond are subject to forfeiture, the criminal court shall order payment of all or any part of the deposit to the plaintiff in the action, as is necessary to satisfy the judgment. The court shall then order the remainder of the deposit, if any, and the bond forfeited.

(c) Any proceedings concerning the bond, or its forfeiture, judgment, or execution of judgment, shall be held in the court that admitted the defendant to bail.

CLERK OF THE CIRCUIT COURT  
STARKE COUNTY  
AUDIT RESULT AND COMMENT  
(Continued)

(d) After a bond has been forfeited under subsection (a) or (b), the clerk shall mail notice of forfeiture to the defendant. In addition, unless the court finds that there was justification for the defendant's failure to appear, the court shall immediately enter judgment, without pleadings and without change of judge or change of venue, against the defendant for the amount of the bail bond, and the clerk shall record the judgment.

(e) If a bond is forfeited and the court has entered a judgment under subsection (d), the clerk shall transfer to the state common school fund:

(1) any amount remaining on deposit with the court (less the fees retained by the clerk);  
and

(2) any amount collected in satisfaction of the judgment.

(f) The clerk shall return a deposit, less the administrative fee, made under section 3.2(a)(2) of this chapter to the defendant, if the defendant appeared at trial and the other critical stages of the legal proceedings."

Indiana Code 32-34-1.5-4 states in part:

"Subject to section 11 of this chapter, the following property is presumed abandoned if it is unclaimed by the apparent owner during the period specified as follows: . . .

(9) For property held by a court, including property received as proceeds of a class action, one (1) year after the property becomes distributable. . . ."

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. . . ."

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 Clerks of the Circuit Courts of Indiana, Chapter 1)

CLERK OF THE CIRCUIT COURT  
STARKE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 25, 2024, with Bernadette Manuel, Clerk of the Circuit Court; Michaelene Houston, County Auditor; Rachel Oesterreich, former County Auditor; Don Binkley, President of the Board of County Commissioners; Dave Pearman, President of the County Council; Todd Leinbach, County Council member; and Kay Gudeman, County Council member.

COUNTY SHERIFF  
STARKE COUNTY

COUNTY SHERIFF  
STARKE COUNTY  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS - COMPLIANCE**

*Condition and Context*

Internal control deficiencies resulted in noncompliance over:

- Financial Reporting
- Jail Commissary Fund
- CEDIT - Special Jail Project Fund Uses

These internal control deficiencies are further detailed in the comments below.

*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. . . ."

**FINANCIAL REPORTING**

The same comment also appeared in prior Report 000000338S, entitled *FINANCIAL TRANSACTIONS AND REPORTING*.

*Condition and Context*

The County Sheriff was required to prepare a Supplemental Annual Report (SAR) for inclusion in the Annual Financial Report (AFR) submitted in the Indiana Gateway for Government Units financial reporting system, which is the basis for the financial statement.

Internal controls were not properly designed and implemented to ensure complete and accurate reporting of the SAR. Evidence of an oversight or review process of the SAR prior to submission to the County Auditor was not documented.

COUNTY SHERIFF  
STARKE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Due to the lack of effective internal controls, the Sheriff Commissary fund was omitted from the AFR and financial statement, which understated the Beginning Cash and Investments Balance, Receipts, Disbursements, and Ending Cash and Investment Balance - Regulatory Basis by \$6,363, \$267,644, \$240,696, \$33,311, respectively.

Adjustments were proposed, accepted by the County, and made to the financial statement and other information - Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented in the Financial Statement Audit Report of the County and within the AFR.

*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](#)."

**JAIL COMMISSARY FUND**

*Condition and Context*

Internal controls were not in place over the Jail Commissary fund required reporting and uses.

The County Sheriff is required to provide a semiannual copy of receipts and disbursements to the County fiscal body on July 1 and December 31 each year. However, for 2023, this report was not prepared and provided to the County Council as required.

*Criteria*

Indiana Code 36-8-10-21(e) states:

"The sheriff shall maintain a record of the fund's receipts and disbursements. The state board of accounts shall prescribe the form for this record. The sheriff shall semiannually provide a copy of this record of receipts and disbursements to the county fiscal body. The semiannual reports are due on July 1 and December 31 of each year."

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

**CEDIT - SPECIAL JAIL PROJECT FUND USES**

*Condition and Context*

Internal controls were not in place to ensure the uses of the CEDIT - Special Jail Project fund complied with state statutes.

COUNTY SHERIFF  
STARKE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

The County Council imposed a special income tax to address jail capacity and appropriate inmate living conditions. The revenue from the special income tax has restricted uses for the financing, constructing, acquiring, and of equipping the County jail per Indiana Code 6-3.6-7-21.

A review of the disbursements recorded to the CEDIT - Special Jail Project fund determined that some of the funds were for operational expenses, which included paying for prisoner meals. These costs did not fall under one of the restricted use categories in Indiana Code 6-3.6-7-21.

Furthermore, the prisoner meals from the CEDIT - Special Jail Project fund is not an allowed method of payment for prisoner meals under Indiana Code 36-2-13-2.5(b)(4).

*Criteria*

Indiana Code 6-3.6-7-21 states in part:

"(a) This section applies only to Starke County. . .

(d) Revenue from a tax under this section may be used only for the following purposes:

- (1) To finance, construct, acquire, and equip the county jail and related buildings and parking facilities, including costs related to the demolition of existing buildings, the acquisition of land, and any other reasonably related costs.
- (2) To repay bonds issued or leases entered into for constructing, acquiring, and equipping the county jail and related buildings and parking facilities, including costs related to the demolition of existing buildings, the acquisition of land, and any other reasonably related costs. . . ."

Indiana Code 36-2-13-2.5(b)(4) states:

"A procedure for financing prisoners' meals that uses one (1) of the following methods:

(A) The county fiscal body shall make an appropriation in the usual manner from the county general fund to the sheriff for feeding prisoners. The sheriff or the sheriff's officers, deputies, or employees may not make a profit from the appropriation. The sheriff shall deposit all meal allowances received under [IC 36-8-10-7](#) in the county general fund for use for any general fund purpose.

(B) The sheriff shall pay for feeding prisoners from meal allowances received under [IC 36-8-10-7](#). The sheriff or the sheriff's officers, deputies, or employees may not make a profit from the meal allowances. After the expenses of feeding prisoners are paid, the sheriff shall deposit any unspent meal allowance money in the county general fund for use for any general fund purpose."

COUNTY SHERIFF  
STARKE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 25, 2024, with Jack Rosa, County Sheriff; April Wilhelm, County Matron; Michaelene Houston, County Auditor; Rachel Oesterreich, former County Auditor; Don Binkley, President of the Board of County Commissioners; Dave Pearman, President of the County Council; Todd Leinbach, County Council member; and Kay Gudeman, County Council member.