

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

STARKE COUNTY, INDIANA

January 1, 2014 to December 31, 2016



**FILED**  
09/29/2017



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
County Auditor:	
Examination Results and Comments:	
Annual Financial Report.....	6-7
Overdrawn Cash Balances .....	7
Supporting Documentation .....	7-8
Capital Assets .....	8
Official Response.....	9-11
Exit Conference .....	12
County Treasurer:	
Examination Result and Comment:	
Interest on Investments.....	14
Official Response.....	15
Exit Conference .....	16

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Katherine Chaffins	01-01-11 to 12-31-18
County Treasurer	Kasey Clark	01-01-13 to 12-31-20
Clerk of the Circuit Court	Evelyn A. Skronski Vicki L. Cooley	01-01-11 to 12-31-14 01-01-15 to 12-31-18
County Sheriff	Oscar O. Cowen Bill Dulin	01-01-11 to 12-31-14 01-01-15 to 12-31-18
County Recorder	Lisa Minix	01-01-11 to 12-31-18
President of the Board of County Commissioners	Jennifer Davis Kent Danford Donald Binkley	01-01-14 to 12-31-14 01-01-15 to 12-31-16 01-01-17 to 12-31-17
President of the County Council	Dave Pearman	01-01-14 to 12-31-14



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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TO: THE OFFICIALS OF STARKE COUNTY, INDIANA

This report is supplemental to our examination report of Starke County (County), for the period from January 1, 2014 to December 31, 2016. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statements Examination Report of the County, which provides our opinion on the County's financial statements. 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 Examination 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 Examination Results and Comments, incorporated within this report, was not verified for accuracy.

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

July 25, 2017

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COUNTY AUDITOR  
STARKE COUNTY

COUNTY AUDITOR  
STARKE COUNTY  
EXAMINATION RESULTS AND COMMENTS

***ANNUAL FINANCIAL REPORT***

The County had not established effective internal controls over the financial information entered into the Indiana Gateway for Government Units financial reporting system (Gateway), which was the source of the Annual Financial Reports (AFR) and the financial statements. The County did not have segregation of duties in place for the areas of Financial Close and Reporting to the Financial Statements. One person prepared and submitted the financial information in Gateway without controls to ensure that the information was accurate prior to submission.

The County's AFR and the financial statements presented for examination for 2014, 2015, and 2016 contained the following errors:

1. Clerk fund:
  - (a) Receipts and disbursements for 2014 were understated by \$782,385.
  - (b) Receipts and disbursements for 2015 were understated by \$1,014,960.
  - (c) Receipts and disbursements for 2016 were understated by \$1,101,973 and \$1,098,452, respectively.
  - (d) The cash and investment balance at December 31, 2016, was understated by \$3,521.
2. Sheriff Inmate Trust fund:
  - (a) Disbursements for 2014 were overstated by \$4,001.
  - (b) Disbursements for 2015 were overstated by \$12,956.
  - (c) Disbursements for 2016 were understated by \$6,911.
3. The Hamlet Fire Well fund receipts and disbursements were understated for 2015 by \$510.
4. The SCCC Grant 2013-2014 receipts and disbursements were understated for 2016 by \$83,479.
5. The SCCC Project Income fund receipts and disbursements were understated for 2016 by \$109,427.

Examination adjustments were proposed, accepted by the County, and made to the financial statements presented.

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:

COUNTY AUDITOR  
STARKE COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

"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 municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. 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."

**OVERDRAWN CASH BALANCES**

The financial statements presented in the Financial Statements Examination Report of the County included overdrawn cash balances for the following funds:

Fund	2014	2015	2016
Jury Pay	\$ 5,138	\$ 2,268	\$ 272
Medical Care for Inmates	-	-	2,055

The same comment also appeared in prior Reports B42803 and B44032.

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

**SUPPORTING DOCUMENTATION**

Ten percent of claims tested did not have adequate documentation to support the validity and accountability of the disbursements.

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.

COUNTY AUDITOR  
STARKE COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

(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 . . ."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

### **CAPITAL ASSETS**

The County entered into a contract with an appraisal company who completed capital asset records for the County. The capital asset records reported December 31, 2016 asset values of \$51,717,095; however, the County Auditor reported \$65,330,872 in the Indiana Gateway for Government Units financial reporting system (Gateway), a difference of \$13,613,777. There was no supporting documentation for the capital assets amounts reported in Gateway.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. 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."

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)

# **STARKE COUNTY AUDITOR**

**KATHERINE CHAFFINS**

**53 EAST MOUND STREET**

**KNOX, IN 46534**

**(574) 772-9101**

**July 24, 2017**

**In Regard to the Annual Report listing of the SBOA Audit:**

**It states the 2014, 2015 and 2016 financial activity of the Clerk's Office was not accurately reported in the Gateway Annual Report for those years. The Clerk's Office does not complete the Starke County Financial Monthly Report showing the beginning balance, the amount of receipts, amount of disbursements, and the ending balance for the month. The Clerk would submit a copy of her 46CR which only states what the ending balance is of her different bank accounts. The Clerk's Office did not provide a financial report listing their other financial information.**

**Because of that I got into the habit of reporting her financial information similar to the way the Treasurer's Department is reported, using the beginning balance as the amount of expenditures and the ending balance as the amount of receipts for the year. Obviously, the amount of the receipts and disbursements were not properly recorded for the Clerk's Department for the years 2014, 2015 and 2016 in the County's Annual Reports.**

**Hopefully, we will have a better working relationship with the Clerk's Office and hopefully they will be providing the whole financial reporting form listing the current receipts and disbursements of their department.**

**In Regard to Overdrawn Cash Balances:**

**It was brought to the attention of the Sheriff's Department they are not to use the Medical Care for Inmates Fund, 1174, until the Fund is back in the black. Fund 4904, Jury Pay Fund, is now back in the black. It has accurately been closed from expenditures. We were only posting the receipts when we received them from the Court and now it has a zero balance. The fund has been closed as Jury pay is being paid out of the County General Court Budget.**

**In Regard to Errors on Claims—Auditor:**

**Two invoices were brought to my attention that there was a question on and one of them was from the Extension Office for travel expenses they receive from the University they work with. This item has been reviewed by other SBOA Auditors in the past 2011, 2012 and 2013 audits and was eliminated from the SBOA audit report.**

**It is the customary travel invoice the University submits to its County Extension Office. I spoke with the County Extension Agent and asked about their transactions and how they are handled by their department. He submitted a copy of the mileage claim they submit to the University for mileage. I will ask them to provide a copy of those mileage claims as documentation and proof of the invoices from the University. We do not disburse the mileage to the County employee but we reimburse the University for the travel as they do pay the Extension employee.**

**The other claim in question was from February, 2016, a claim for the Circuit Court from an unknown attorney, for the time 2014-2016. There was a question in regard to how the attorney was billing for his time and for the time period of the invoice. I was not the one who processed the claim, nor was the claim brought to my attention. It was also not written up to be reviewed by the Board of Commissioners. The person who handled the claims at that time is no longer an employee of the Auditor's Department, nor of Starke County. I cannot respond to why the invoice was paid. I will take the consequences of that claim.**

**Katherine Chaffins  
Auditor of Starke County**

# **STARKE COUNTY AUDITOR**

**KATHERINE CHAFFINS**

**53 EAST MOUND STREET**

**KNOX, IN 46534**

**(574) 772-9101**

**July 24, 2017**

**In regard to the Capital Assets Listing of the SBOA Audit:**

**I was written up for incorrectly listing the total Capital Assets in the Gateway Annual Report for our County for the year 2016. It was noted that I had incorrectly posted the Capital Assets at a total of \$13,613,777.00 more than was listed in our report from the Consulting Service. The Consulting Service's report has a grant total of \$51,702,095.00 and the total I listed was \$65,330,872.04, a difference of \$13,613,777.00. In reviewing the Consulting Services report for 2016 I discovered the total Buildings for the County was listed at \$5,156,665.00 and I had listed Buildings at \$17,556,665.00. The Consulting Report for 2016 does not include the newly constructed Starke County Justice Center, that was constructed 2014-2015 and began operation in June, 2015. The cost of the newly constructed building was \$14,000,000.00, which was the same total amount of the new bond issue the County entered into for the construction of that building. The actual total construction costs equaled more than the \$14,000,000.00 but \$14,000,000.00 is the rounded amount as a listing of that county building.**

**Another item that was not reported in the 2016 Consulting Services annual report for Starke County was the purchase of an EMS ambulance and Highway Department equipment. The ambulance was purchased by Starke County in November, 2016 and cost a total of \$121,876.00. Also the Highway Department purchased additional equipment in 2016 for the total expense of \$70,000.00. It was included in the Capital Asset Report in Starke County's Annual Report as an increase of machinery, equipment and vehicles of \$190,000.00.**

**I have used the same pattern of the installation of the County's Capital Assets page of the Annual Report since 2011. I would add in purchases and take out any items sold that year. During the SBOA Audits of 2011, 2012, and 2013 I was never written up for incorrect figures stated in my Capital Asset report. It was never ever an issue that was discussed with the SBOA Auditors during that time.**

**However, I will contact our Consulting Service and work out any missed capital assets they have failed to report so our 2017 Capital Asset report from them can be free of errors.**

**Katherine Chaffins  
Auditor of Starke County**

COUNTY AUDITOR  
STARKE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on July 25, 2017, with Katherine Chaffins, County Auditor; Bradley J. Hazelton, County Council member; Dave Pearman, County Council member; Bryan Cavender, County Council member; Charles R. Chesak, County Commissioner; Kathryn J. Norem, County Commissioner; and Vicki L. Cooley, Clerk of the Circuit Court.

COUNTY TREASURER  
STARKE COUNTY

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STARKE COUNTY  
EXAMINATION RESULT AND COMMENT

***INTEREST ON INVESTMENTS***

Interest earned on the Save the Hospital Fund investment was automatically added to the principal and not posted to the records in 2014. This caused interest revenue and the investment balance to be understated.

Interest on investments should not be added automatically to the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

**Starke County Treasurer**

53 E Mound St Knox, IN 46534

574-772-9111 • 574-772-9116

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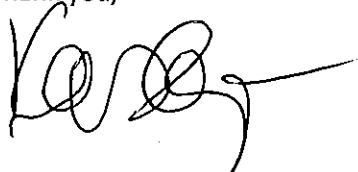
8/7/2017

SBOA

Re: Official Response for Interest on Investments SBOA report

Interest on investments was rolled over on the save the hospital fund but I was unaware at the time that this was not something that could be done. I now know that this is not something that should not be done, so this will not be happening in the future.

Thank you,

A handwritten signature in black ink, appearing to read 'Kasey Clark', with a long horizontal flourish extending to the right.

Kasey Clark

Starke County Treasurer

COUNTY TREASURER  
STARKE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on July 25, 2017, with Bradley J. Hazelton, County Council member; Dave Pearman, County Council member; Bryan Cavender, County Council member; Charles R. Chesak, County Commissioner; Kathryn J. Norem, County Commissioner, and Katherine Chaffins, County Auditor.