

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MIAMI COUNTY, INDIANA

January 1, 2015 to December 31, 2015



**FILED**  
01/19/2018



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
County Auditor:	
Examination Result and Comment:	
Internal Controls over Financial Reporting - County Auditor .....	6-7
Exit Conference .....	8
County Treasurer:	
Examination Results and Comments:	
Internal Controls over Financial Transactions and Reporting - County Treasurer .....	10
Designated Depository .....	10-12
Exit Conference .....	13
Clerk of the Circuit Court:	
Examination Result and Comment:	
Internal Controls over Financial Transactions and Reporting - Clerk of the Circuit Court....	16
Exit Conference .....	17
County Sheriff:	
Examination Result and Comment:	
Inmate Trust Records.....	20
Exit Conference .....	21

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Jane E. Lilley Mary Brown	01-01-13 to 12-31-16 01-01-17 to 12-31-20
County Treasurer	Rebecca Morris Annette Phillippo	01-01-13 to 07-31-16 08-01-16 to 12-31-20
Clerk of the Circuit Court	Tawna Leffel Sands	01-01-15 to 12-31-18
County Sheriff	Tim Miller	01-01-15 to 12-31-18
County Recorder	Brenda Weaver Rhonda Trexler	01-01-13 to 12-31-16 01-01-17 to 12-31-20
President of the Board of County Commissioners	Joshua D. Francis	01-01-15 to 12-31-17
President of the County Council	Ralph Duckwall Ethan Manning	01-01-15 to 12-31-16 01-01-17 to 12-31-17



**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 MIAMI COUNTY, INDIANA

This report is supplemental to our examination report of Miami County (County), for the period from January 1, 2015 to December 31, 2015. 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 Statement Examination Report of the County, which provides our opinion 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 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

December 6, 2017

(This page intentionally left blank.)

COUNTY AUDITOR  
MIAMI COUNTY

COUNTY AUDITOR  
MIAMI COUNTY  
EXAMINATION RESULT AND COMMENT

**INTERNAL CONTROLS OVER FINANCIAL REPORTING - COUNTY AUDITOR**

A similar comment appeared in prior Report B48152, entitled *FINANCIAL TRANSACTIONS AND REPORTING - COUNTY AUDITOR*.

There were deficiencies in the internal control system of the County related to financial reporting. The County Auditor had not properly implemented effective internal controls over the preparation and review of the Annual Financial Report (AFR) and financial statement. The Deputy County Auditor inputted the County's financial information into the Indiana Gateway for governmental units financial system, which is the source of the AFR and the financial statement. The County Auditor verified the financial information that was entered; however, the controls over the verification of financial data provided by outside departments was not sufficient. The County had not monitored the internal control system in place to ensure that controls were properly designed and operated effectively. The following material error occurred on the AFR and the financial statement:

Instead of reporting the change in the cash and investment balance, the Treasurer's Trust fund reported all activity, including the amounts that were already reported in the County Auditor's ledger. This error resulted in material overstatements of the AFR and financial statement for both receipts and disbursements of \$26,902,126.

Audit adjustments were proposed, accepted by the County, and made to the AFR and financial statement.

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

"The state examiner shall require from every municipality and every state or local government 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."

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 five components of internal control: Control Environment, Risk Assessment, Control Activities, Information and Communication; and Monitoring. According to this manual:

COUNTY AUDITOR  
MIAMI COUNTY  
EXAMINATION RESULT AND COMMENT  
(Continued)

"The control environment is the basic commonality for all and comprises the integrity and ethical values of the political subdivision established by the oversight body and management."

"Risk is the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment is the process used to identify and assess internal and external risks to the achievement of objectives, and then establish risk tolerances. Each identified risk is evaluated in terms of its impact and likelihood of occurrence. Overall, risk assessment is the basis for determining how risk will be managed."

"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. . . ."

"External Communication enables relevant outside information to be internalized and internal information to be clearly communicated to external parties."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria use are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators."

COUNTY AUDITOR  
MIAMI COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 6, 2017, with Mary Brown, County Auditor; Jane E. Lilley, former County Auditor; Joshua D. Francis, President of the Board of County Commissioners; Ethan Manning, President of the County Council; and Ralph Duckwall, County Council member.

COUNTY TREASURER  
MIAMI COUNTY

COUNTY TREASURER  
MIAMI COUNTY  
EXAMINATION RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS  
AND REPORTING - COUNTY TREASURER**

A similar comment appeared in prior Report B48152, entitled *FINANCIAL TRANSACTIONS AND REPORTING - COUNTY TREASURER*.

There were deficiencies in the internal control system of the County Treasurer related to financial transactions and reporting.

Lack of Segregation of Duties: There was no evidence to verify bank deposits were prepared by an employee and, subsequently, reviewed by a second employee to ensure amounts deposited agreed with amounts collected.

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. . . ."

**DESIGNATED DEPOSITORY**

A similar comment appeared in prior Report B48152, entitled *DESIGNATED DEPOSITORY*.

The County Treasurer's Cash Book shows County funds in the amount of \$7,478,266 at December 31, 2015, on deposit with an investment company that is not a designated depository or a statutorily defined financial institution.

Indiana Code 5-13-9-2 states in part:

"(a) Each officer designated in section 1 of this chapter may invest or reinvest any funds that are held by the officer and available for investment in any of the following:

- (1) Securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States and issued by any of the following:

COUNTY TREASURER  
MIAMI COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (A) The United States Treasury.
  - (B) A federal agency.
  - (C) A federal instrumentality.
  - (D) A federal government sponsored enterprise.
- (2) Securities fully guaranteed and issued by any of the following:
- (A) A federal agency.
  - (B) A federal instrumentality.
  - (C) A federal government sponsored enterprise.
- (3) Municipal securities issued by an Indiana local governmental entity, a quasi-governmental entity related to the state, or a unit of government, municipal corporation, or special taxing district in Indiana, if the issuer has not defaulted on any of the issuer's obligations within the twenty (20) years preceding the date of the purchase. A security purchased by the treasurer of state under this subdivision must have a stated final maturity of not more than ten (10) years after the date of purchase. . . .
- (d) The investing officers of the political subdivisions are the legal custodians of securities under this chapter. They shall accept safekeeping receipts or other reporting for securities from:
- (1) a duly designated depository as prescribed in this article; or
  - (2) a financial institution located either in or out of Indiana having custody of securities with a combined capital and surplus of at least ten million dollars (\$10,000,000) according to the last statement of condition filed by the financial institution with its governmental supervisory body. . . ."

Indiana Code 5-13-9-2.5 states in part:

"(a) An officer designated in section 1 of this chapter may invest or reinvest funds that are held by the officer and available for investment in investments commonly known as money market mutual funds that are in the form of securities of or interests in an open-end, no-load, management-type investment company or investment trust registered under the provisions of the federal Investment Company Act of 1940, as amended (15 U.S.C. 80a et seq.).

(b) The investments described in subsection (a) shall be made through depositories designated by the state board of finance as depositories for state deposits under IC 5-13-9.5.

(c) The portfolio of an investment company or investment trust described in subsection (a) must be limited to the following:

- (1) Direct obligations of the United States.
- (2) Obligations issued by any of the following:

COUNTY TREASURER  
MIAMI COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (A) A federal agency.
  - (B) A federal instrumentality.
  - (C) A federal government sponsored enterprise.
- (3) Repurchase agreements full collateralized by obligations described in subdivision (1) or (2). . . ."

Indiana Code 5-13-4-10 states:

"Financial institution' means any of the following:

- (1) A bank, trust company, or mutual savings bank that:
  - (A) was incorporated under the law of Indiana or any other state; and
  - (B) has its principal office or a branch in Indiana.
- (2) A national banking association with its principal office or a branch in Indiana.
- (3) A savings association operating as a deposit association incorporated under Indiana law.
- (4) A federally chartered savings association with its principal office or a branch in Indiana.
- (5) A federally chartered savings bank with its principal office or a branch in Indiana.
- (6) A state chartered credit union in Indiana that is federally insured or privately insured and that has assets of three million dollars (\$3,000,000) or more."

Investments can only be made in accordance with statutory guidelines. Losses and expenses related to any unauthorized investments and unauthorized investment procedures may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

COUNTY TREASURER  
MIAMI COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 6, 2017, with Annette Phillippo, County Treasurer; Joshua D. Francis, President of the Board of County Commissioners; Ethan Manning, President of the County Council; and Ralph Duckwall, County Council member.

(This page intentionally left blank.)

CLERK OF THE CIRCUIT COURT  
MIAMI COUNTY

CLERK OF THE CIRCUIT COURT  
MIAMI COUNTY  
EXAMINATION RESULT AND COMMENT

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS  
AND REPORTING - CLERK OF THE CIRCUIT COURT**

A similar comment appeared in prior Report B48152, entitled *FINANCIAL TRANSACTIONS AND REPORTING - CLERK OF THE CIRCUIT COURT*.

There were deficiencies in the internal control system of the Clerk of the Circuit Court (Clerk) related to financial transactions and reporting.

Lack of Segregation of Duties:

The Clerk had not separated incompatible activities related to cash and investments. There were no documentable controls over the bank account reconciliations prepared by the Deputy Clerk.

The Clerk had not separated incompatible activities related to receipts. Multiple employees used one of two cash drawers to receipt in all receipts other than support. Initials of the employee responsible for collecting each receipt were manually typed in the comment section of each receipt. There was no evidence to document that daily receipts collected were verified by another employee prior to and after deposit.

The Clerk had not separated incompatible activities related to disbursements. One Deputy Clerk was responsible for processing, recording, and signing (via stamp) checks. There are two employees who are involved in the disbursement process, one for Child Support and one for Trust disbursements.

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. . . ."

CLERK OF THE CIRCUIT COURT  
MIAMI COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 6, 2017, with Tawna Leffel Sands, Clerk of the Circuit Court; Joshua D. Francis, President of the Board of County Commissioners; Ethan Manning, President of the County Council; and Ralph Duckwall, County Council member.

(This page intentionally left blank.)

COUNTY SHERIFF  
MIAMI COUNTY

COUNTY SHERIFF  
MIAMI COUNTY  
EXAMINATION RESULT AND COMMENT

***INMATE TRUST RECORDS***

The inmate trust fund bank account reconciled with the inmate trust control ledger, but the total of all subsidiary records did not agree with the control ledger. At December 31, 2015, the inmate trust control ledger reported \$58,943 more than the subsidiary records.

Indiana Code 36-8-10-22 requires the sheriff of each county that operates a county jail to hold, in trust separately for each inmate, any money received from that inmate or from another person on behalf of that inmate. This statute specifically requires the sheriff to maintain a record of each trust fund's receipts and disbursements. These individual inmate records are kept as a subsidiary record and should in total agree to the inmate trust control ledger.

Indiana Code 36-8-10-22 states in part:

". . . (b) The sheriff shall hold in trust separately for each inmate any money received from that inmate or from another person on behalf of that inmate. . . .

(f) The sheriff shall maintain a record of each trust fund's receipts and disbursements. The state board of accounts shall prescribe the form for this record."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY SHERIFF  
MIAMI COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 30, 2017, with Tim Miller, County Sheriff; Joshua D. Francis, President of the Board of County Commissioners; Ethan Manning, President of the County Council; and Ralph Duckwall, County Council member.