

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

POSEY COUNTY, INDIANA

January 1, 2016 to December 31, 2017



**FILED**  
10/06/2018



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Kyle J. Haney	01-01-15 to 01-11-16
	(Vacant)	01-12-16 to 01-24-16
	Sarah Beth Meighen	01-25-16 to 12-31-18
County Treasurer	Justin W. White	01-01-13 to 12-31-16
	Vicki J. Peerman	01-01-17 to 12-31-20
Clerk of the Circuit Court	Betty B. Postletheweight	01-01-15 to 12-31-18
County Sheriff	Gregory R. Oeth	01-01-15 to 12-31-18
County Recorder	Mary Rhoades	01-01-15 to 12-31-18
President of the Board of County Commissioners	Carl A. Schmitz	01-01-16 to 12-31-16
	James Alsop	01-01-17 to 12-31-18
President of the County Council	Robert Gentil	01-01-16 to 12-31-16
	Donald Mattingly	01-01-17 to 12-31-17
	Heather Allyn	01-01-18 to 12-31-18



**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 POSEY COUNTY, INDIANA

This report is supplemental to our audit report of Posey County (County), for the period from January 1, 2016 to December 31, 2017. 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 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 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.

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

September 5, 2018

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COUNTY AUDITOR  
POSEY COUNTY

COUNTY AUDITOR  
POSEY COUNTY  
AUDIT RESULTS AND COMMENTS

**FINANCIAL TRANSACTIONS AND REPORTING**

A similar comment also appeared in prior Report B47067, entitled *ANNUAL FINANCIAL REPORT*.

The County had established internal controls over financial transactions and reporting; however, the controls were not effective. The established controls did not prevent, or detect and correct, errors with reporting the financial information to the Indiana Gateway for Government Units (Gateway) financial reporting system, which is used to generate the Annual Financial Report and financial statements.

The County Auditor did not report the After Settlement Collection fund, the Jail Commissary fund, or the Clerk's Trust fund. The After Settlement Collection fund and the Clerk's Trust fund had been reported to the County Auditor on a Supplemental County Annual Report (CAR-1). As a result, the related receipts, disbursements, and balances of \$2,448,570, \$2,640,462, and \$1,059,686 for the year ended December 31, 2016, and \$2,971,615, \$2,614,323 and \$1,416,978 for the year ended December 31, 2017, were not reported.

In addition, investments were not included in the beginning or ending cash and investment balances, but purchases and sales of some investments were included, resulting in the Cash and Investment Balance being understated at December 31, 2016 and 2017, by \$346,365 and \$347,578, respectively, and cash receipts and cash disbursements being overstated by \$44,000 and \$144,000 for the year ended December 31, 2016, and \$650,790 and \$650,790 for the year ended December 31, 2017, respectively.

Adjustments were proposed, approved by the County, and made to the financial statement.

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."

The supplemental annual report forms are submitted by other county offices and departments to be used by the county auditor to provide complete financial information for the annual report by reporting financial activity that is maintained outside of the county auditor's system. The supplemental annual reports are only to be submitted with financial activity that is not eventually accounted for in the county's general ledger system. (The County Bulletin and Uniform Compliance Guidelines, January 2014)

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.

COUNTY AUDITOR  
POSEY COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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. . . ."

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

The County Auditor improperly certified on Gateway that an internal control policy had been adopted and the training had been completed.

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."

**APPROPRIATIONS**

The same comment also appeared in prior Report B47067.

The records presented for audit indicated the following expenditures in excess of budgeted appropriations for the years 2016 and 2017:

Fund	Years	Excess Amount Expended
County General	2016	\$ 256,550
Cumulative Bridge	2016	277,536
Health Board	2016	1,936
Mental Health	2016	16,819
Cumulative Capital County	2016	704,994
LIT Economic Development County Share	2016	356,365
County General	2017	751,669
Reassessment - 2015	2017	55,935
Cumulative Bridge	2017	646,901
Cumulative Capital County	2017	120,135

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

COUNTY AUDITOR  
POSEY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 5, 2018, with Sarah Beth Meighen, County Auditor; James Alsop, President of the Board of County Commissioners; Carl A. Schmitz, County Commissioner; and Heather Allyn, President of the County Council.

COUNTY SHERIFF  
POSEY COUNTY

COUNTY SHERIFF  
POSEY COUNTY  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

A similar comment also appeared in prior Report B47067, entitled *CONDITION OF RECORDS*.

There was no internal control system in place at the County Sheriff's Department related to financial transactions and reporting of the Jail Commissary fund and Inmate Trust fund. Internal control procedures were not in place to ensure that financial records of the receipts, disbursements, and balances of the Jail Commissary fund and Inmate Trust fund were maintained and reported in the County's Annual Financial Report and financial statement.

Financial records presented for audit were incomplete and not reflective of the activity of the Inmate Trust fund and the Jail Commissary fund. The receipts and disbursements of the Inmate Trust fund and the Jail Commissary fund went through the same bank account and separate ledgers were not maintained in order to identify the transactions for each fund. The records presented did not provide sufficient information to determine beginning balances, receipts, disbursements, ending balances, or the accuracy or completeness of the transactions for either of the funds. The financial records presented for audit did not reconcile to the bank during the audit period.

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**

The same comment also appeared in prior Report B47067.

Depository reconciliations were being performed. However, the reconciled bank balance did not agree to the ledger balance as of December 31, 2016, or December 31, 2017. Sufficient records were not available to determine what the correct balance of the ledger should be. The ledger was used to record the receipts and disbursements of the Jail Commissary fund until November 2017 when the Inmate Trust fund receipts and disbursements were also posted to it. A new software system was implemented in November 2017 for the commissary and inmate trust. Reports produced from the software system also did not reconcile to the bank balance.

COUNTY SHERIFF  
POSEY COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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."

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 Counties of Indiana, Chapter 1)

***JAIL COMMISSARY REIMBURSEMENTS FROM THE COUNTY***

Numerous expenses were paid from the Jail Commissary fund instead of from the funds in the County Auditor's Ledger, thereby circumventing the claims process. A claim was then later submitted to the County Auditor to reimburse the Jail Commissary fund for these expenditures from the appropriate funds on the County Auditor's Ledger. The reimbursements were for prisoner meal supplies, cleaning supplies, cell phone, repair of vehicles, uniforms, office supplies, kitchen supplies, transport of prisoners, officer training, gasoline, travel expenses, equipment, and dues. For the audit period, a total of \$134,153 was reimbursed to the Jail Commissary fund from the County.

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. . . ."

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

"The sheriff, or the sheriff's designee, at the sheriff's or the sheriff's designee's discretion and without appropriation by the county fiscal body, may disburse money from the fund for:

- (1) merchandise for resale to inmates through the commissary;
- (2) expenses of operating the commissary, including, but not limited to, facilities and personnel;
- (3) special training in law enforcement for employees of the sheriff's department;

COUNTY SHERIFF  
POSEY COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (4) equipment installed in the county jail;
- (5) equipment, including vehicles and computers, computer software, communication devices, office machinery and furnishings, cameras and photographic equipment, animals, animal training, holding and feeding equipment and supplies, or attire used by an employee of the sheriff's department in the course of the employee's official duties;
- (6) an activity provided to maintain order and discipline among the inmates of the county jail;
- (7) an activity or program of the sheriff's department intended to reduce or prevent occurrences of criminal activity, including the following:
  - (A) Substance abuse.
  - (B) Child abuse.
  - (C) Domestic violence.
  - (D) Drinking and driving.
  - (E) Juvenile delinquency;
- (8) expenses related to the establishment, operation, or maintenance of the sex and violent offender registry web site under IC 36-2-13-5.5; or
- (9) any other purpose that benefits the sheriff's department that is mutually agreed upon by the county fiscal body and the county sheriff.

Money disbursed from the fund under this subsection must be supplemental or in addition to, rather than a replacement for, regular appropriations made to carry out the purposes listed in subdivisions (1) through (8)."

**SUPPLEMENTAL ANNUAL REPORT**

The County Sheriff did not complete and remit to the County Auditor the required Supplemental County Annual Report (CAR-1) for the Jail Commissary fund and the Sheriff's Inmate Trust fund.

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."

The supplemental annual report forms are submitted by other county offices and departments to be used by the county auditor to provide complete financial information for the annual report by reporting financial activity that is maintained outside of the county auditor's system. The supplemental annual reports are only to be submitted with financial activity that is not eventually accounted for in the county's general ledger system. (The County Bulletin and Uniform Compliance Guidelines, January 2014)

COUNTY SHERIFF  
POSEY COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**DEPOSITS**

The same comment also appeared in prior Report B47067.

Prior to November 2017, all funds belonging to the Inmate Trust fund were maintained in cash. No deposits were made during 2016 or prior to November 2017. During November 2017, the balance of the Inmate Trust fund plus subsequent receipts were deposited into the Commissary bank account. A record of these receipts was not available for audit.

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

Indiana Code 5-13-6-1(g) states in part:

"The following are not required to deposit funds on the business day following receipt if the funds on hand do not exceed five hundred dollars (\$500): . . .

(2) A local officer of a political subdivision required to deposit funds under subsection (c) other than a township trustee.

(3) A city or a town required to deposit funds under subsection (d). . ."

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

"(a) This section applies to any county that operates a county jail.

(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. . . ."

**CASH DISBURSEMENTS**

The same comment also appeared in prior Report B47067.

During 2016 and through October 2017, all disbursements from the Inmate Trust fund were made using cash collections. Starting in November 2017, the County Sheriff's Department implemented a new computer system. The Inmate Trust balance on hand was deposited into the Jail Commissary bank account. Refunds to the inmates, upon their release, were made by issuing a debit card to them that contained the balance of their Inmate Trust account that was obtained from the computer system. The transactions were posted to the Jail Commissary ledger from the withdrawals recorded on the bank statement. No other documentation over the debit cards was presented for audit.

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

COUNTY SHERIFF  
POSEY COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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

- "(a) This section applies to any county that operates a county jail.
- (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.
- (c) If the inmate or the inmate's legal guardian requests a disbursement from the inmate's trust fund, the sheriff may make a disbursement for the personal benefit of the inmate, including but not limited to a disbursement to the county jail commissary.
- (d) Upon discharge or release of an inmate from the county jail, the sheriff shall pay to that inmate or the inmate's legal guardian any balance remaining in the inmate's trust fund.  
. . .
- (f) The sheriff shall maintain a record of each trust fund's receipts and disbursements. . . ."

COUNTY SHERIFF  
POSEY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 5, 2018, with Gregory R. Oeth, County Sheriff; Trinity Becker, Administrator; Sarah Beth Meighen, County Auditor; James Alsop, President of the Board of County Commissioners; and Heather Allyn, President of the County Council.

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BOARD OF COUNTY COMMISSIONERS  
POSEY COUNTY

BOARD OF COUNTY COMMISSIONERS  
POSEY COUNTY  
AUDIT RESULT AND COMMENT

***ADOPTION OF INTERNAL CONTROL STANDARDS***

The County did not adopt internal control standards and procedures during 2016 or 2017, nor had employees received training. The County started training employees during 2018, but internal control standards and procedures have not yet been officially adopted.

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

BOARD OF COUNTY COMMISSIONERS  
POSEY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 5, 2018, with Sarah Beth Meighen, County Auditor; James Alsop, President of the Board of County Commissioners; Carl A. Schmitz, County Commissioner; and Heather Allyn, President of the County Council.