

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

PUTNAM COUNTY, INDIANA

January 1, 2016 to December 31, 2016



FILED
10/17/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Lorie Hallett	01-01-13 to 12-31-20
County Treasurer	Sharon Owens Kathy Minnick	01-01-13 to 12-31-16 01-01-17 to 12-31-20
Clerk of the Circuit Court	Heather Gilbert	01-01-15 to 12-31-18
County Sheriff	Scott Stockton	01-01-15 to 12-31-18
County Recorder	Tracey Bridges	01-01-15 to 12-31-18
President of the Board of County Commissioners	David E. Berry Rick Woodall	01-01-16 to 12-31-17 01-01-18 to 12-31-18
President of the County Council	Darrel L. Thomas	01-01-16 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of Putnam County (County), for the period from January 1, 2016 to December 31, 2016. 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 opinion on the County's financial statement. This report may be found at 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 10, 2018

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BOARD OF COUNTY COMMISSIONERS
PUTNAM COUNTY

BOARD OF COUNTY COMMISSIONERS
PUTNAM COUNTY
AUDIT RESULT AND COMMENT

ADOPTION OF AND TRAINING ON INTERNAL CONTROL STANDARDS

The County did not adopt an acceptable minimum level of internal control standards or train personnel regarding internal control standards. Individual offices may have had internal control policies; however, standards for the County had not been established.

Indiana 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
PUTNAM COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 10, 2018, with David E. Berry, County Commissioner; Daryl L. Thomas, President of the County Council; Lorie Hallett, County Auditor; and Kathy Minnick, County Treasurer.

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COUNTY AUDITOR
PUTNAM COUNTY

COUNTY AUDITOR
PUTNAM COUNTY
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

A similar comment appeared in prior Report B47804, entitled *Finding 2015-001 Internal Controls over Financial Transactions and Reporting*.

The Sheriff's Cash Book receipts, disbursements, and balances were erroneously included as a fund on the Annual Report. The Treasurer's Trust receipts, disbursements, and balances were not reported in the manner prescribed by the Indiana State Board of Accounts. This resulted in an overstatement of receipts and disbursements of \$35,648,758 and \$35,646,516, respectively.

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](#)."

CEDIT DISTRIBUTIONS

The same comment also appeared in prior Reports B44224, B47802, and B47804.

The County Economic Development Income Tax (CEDIT) Distribution fund did not have a zero balance after distributions to the local governmental units were made. The balance in the fund indicates amounts not distributed properly. Prior period errors need to be researched and corrected.

Indiana Code 6-3.5-7-16.5 states:

"(a) The county auditor shall timely distribute the certified distribution received under section 12 of this chapter to each city and town that is a recipient of a certified distribution.

(b) A distribution is considered to be timely made if the distribution is made not later than ten (10) working days after the date the county treasurer receives the county's certified distribution under section 12 of this chapter."

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Reports, B42513, B44224, B47802, and B47804.

The financial statement presented in the Financial Statement Audit Report included the following funds with overdrawn cash balances at December 31, 2016:

COUNTY AUDITOR
 PUTNAM COUNTY
 AUDIT RESULTS AND COMMENTS
 (Continued)

Fund	Amount Overdrawn
Extradition Fund	\$ 2,790
Payroll Withholding - PERF	231
Payroll Withholding - State	555
Payroll Withholding - Wage Garni	925
Medicare	3
Victims Assistance	14,994
Aflac Group	393
Aflac	3,754
Vision Insurance	1,304
Payroll Withholding - Life	7,520
Payroll Withholding - Dental	1,826
District 7 Fire Training	13,382

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)

RECONCILEMENT BETWEEN COUNTY TREASURER AND COUNTY AUDITOR

The same comment also appeared in prior Reports B44224, B47802, B47804. A similar comment also appeared in prior Report B42513, entitled *RECONCILEMENT OF AUDITOR'S LEDGER AND TREASURER'S LEDGER*.

The cash and investment balances presented in the financial statement for December 31, 2016, were not in agreement with the fund ledger balances presented in the Treasurer's Cash Book for December 31, 2016. The funds ledger balance maintained on the Cash Book was \$399,976 less than the funds ledger balance maintained by the County Auditor. These amounts should agree. The total reconciled balance of the cash and investments per the Cash Book is \$213,261 less than the financial statement cash and investment balance at December 31, 2016.

The County Auditor and the County Treasurer tried to reconcile the fund balances monthly, but it was not completed in a timely manner. When the balances were reconciled on January 12, 2017, too many new transactions had transpired for the County Treasurer to determine the true difference between the ledger and the bank at December 31, 2016.

It is recommended that the fund comparison reports be done daily so that both departments are recording the same transactions for the day and adjustments should not change previously reconciled balances.

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.

COUNTY AUDITOR
PUTNAM COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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
PUTNAM COUNTY
EXIT CONFERENCE

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COUNTY TREASURER
PUTNAM COUNTY

COUNTY TREASURER
PUTNAM COUNTY
AUDIT RESULTS AND COMMENTS

DEPOSITS

The cash and check receipts recorded by the County Treasurer on the Cash Summary Report and the cash and check receipts reported on County Quietuses should equal the amount deposited in the bank. In 14 of 62 daily deposits tested, the deposit did not match the cash and check totals from the source documents.

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. . . . Public funds deposited under this subsection shall be deposited in the same form in which they were received."

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). . . ."

BANK ACCOUNT RECONCILIATIONS

The County Treasurer did not properly research and adjust differences between the bank reported balances and the Cash Book balance at December 31, 2016. Items were listed as unknown differences on the reconciling workpaper. The net difference identified as unknown was \$186,643.

COUNTY TREASURER
PUTNAM 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."

RECONCILEMENT BETWEEN COUNTY TREASURER AND COUNTY AUDITOR

The same comment also appeared in prior Reports B44224, B47802, and B47804.

The cash balances presented in the financial statements for December 31, 2016, were not in agreement with the fund ledger balances presented in the Treasurer's Cash Book for December 31, 2016. The funds ledger balance maintained on the Cash Book was \$399,976 less than the funds ledger balance maintained by the County Auditor. These amounts should agree. The total reconciled cash and investments balance per the reconciled Cash Book is \$213,261 less than the financial statement cash and investment balance at December 31, 2016.

The County Auditor and the County Treasurer tried to reconcile the fund balances monthly, but it was not completed in a timely manner. When the balances were reconciled on January 12, 2017, too many new transactions had transpired for the County Treasurer to determine the true difference between the ledger and the bank at December 31, 2016.

It is recommended that fund comparison reports be done daily so that both departments are recording the same transactions for the day and adjustments should not change previously reconciled balances.

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)

COUNTY TREASURER
PUTNAM COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 10, 2018, with David E. Berry, County Commissioner; Daryl L. Thomas, President of the County Council; Lorie Hallett, County Auditor; Kathy Minnick, County Treasurer; and Sharon Owens, former County Treasurer.