

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SCOTT COUNTY, INDIANA

January 1, 2016 to December 31, 2016



FILED
11/16/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
County Auditor:	
Audit Result and Comment:	
Internal Controls over Financial Close and Reporting	6
Exit Conference	7
County Treasurer:	
Audit Result and Comment:	
Condition of Records.....	10-11
Exit Conference	12
Clerk of the Circuit Court:	
Audit Result and Comment:	
Internal Controls over Financial Transactions and Reporting.....	14
Official Response.....	15
Exit Conference	16

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Tammy Stout Johnson	01-01-15 to 12-31-18
County Treasurer	Sheryl Jent	01-01-13 to 12-31-20
Clerk of the Circuit Court	Missy Applegate	01-01-13 to 12-31-18
County Sheriff	Joseph Daniel McClain (Vacant) Kenneth D. Hughbanks	01-01-15 to 03-29-18 03-30-18 to 04-11-18 04-12-18 to 12-31-18
County Recorder	Annalee Turley Marilyn S. Kundysek	01-01-13 to 03-09-18 03-30-18 to 12-31-20
President of the Board of County Commissioners	Robert Tobias	01-01-16 to 12-31-18
President of the County Council	Iva Gasaway Mike Zollman	01-01-16 to 12-31-16 01-01-17 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

TO: THE OFFICIALS OF SCOTT COUNTY, INDIANA

This report is supplemental to our audit report of Scott 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

October 11, 2018

(This page intentionally left blank.)

COUNTY AUDITOR
SCOTT COUNTY

COUNTY AUDITOR
SCOTT COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL CLOSE AND REPORTING

The County Auditor's office is responsible for inputting the financial information into the County's Annual Financial Report (AFR) within the Indiana Gateway for Government Units financial reporting system. No evidence was presented for audit to indicate someone other than the person entering the financial information into the County's AFR reviewed the annual report to ensure accuracy and completeness prior to submission.

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. . . ."

COUNTY AUDITOR
SCOTT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 11, 2018, with Tammy Stout Johnson, County Auditor; Teresa Vannarsdall, County Chief Deputy Auditor; Robert Tobias, President of the Board of County Commissioners; Jean Robbins, County Commissioner; Mike Zollman, President of the County Council; Iva Gassaway, County Council member; and Mike Carter, County Council Attorney.

(This page intentionally left blank.)

COUNTY TREASURER
SCOTT COUNTY

COUNTY TREASURER
SCOTT COUNTY
AUDIT RESULT AND COMMENT

CONDITION OF RECORDS

The same comment also appeared in prior Report B47530.

We noted the following deficiencies:

1. The Treasurer's Daily balance of Cash and Depositories, Form 47 (Treasurer's Cash Book) was not being posted and balanced daily. A review of the Treasurer's Cash Book on September 26, 2018, showed that the last transaction posted was on July 31, 2018. There were no controls established to ensure that the posting and reconciling of the Cash Book was done daily as required by statute.
2. When the Cash Book reconciliation was completed, variances in the Cash Book were not investigated. A line item titled "Corrections" was added to the Cash Book to hold all of these unidentified variances. These variances were resolved during the settlement process.
3. The Cash Book was not reconciled to the balance statements from the bank on a monthly basis. There were no controls established to ensure that the monthly bank reconcilements were completed and accurate.
4. We noted variances between the funds ledger maintained by the County Auditor and the Total Ledger - Cash listed on the Cash Book.
5. After adjusting for identified errors, we noted that the total cash and investments per the Cash Book indicated a cash necessary to balance of \$43,999 as of December 31, 2016.

Indiana Code 5-13-5-1(a) states:

"Every public officer who receives or distributes public funds shall:

- (1) keep a cashbook into which the public officer shall enter daily, by item, all receipts of public funds; and
- (2) balance the cashbook daily to show funds on hand at the close of each day."

The Treasurer's Daily Balance of Cash and Depositories, Form 47, is the record prescribed to enable the treasurer to comply with IC 5-13-5-1. It reflects the daily receipts and disbursements, total amount of cash and investments on hand, and a proof of the financial condition of the office at the close of each day.

COUNTY TREASURER
SCOTT COUNTY
AUDIT RESULT AND COMMENT
(Continued)

The record is designed to be posted "daily," with a separate page for each day. The left side of the page shows the total amount of money for which the treasurer is accountable (charges) and the right side of the page shows the money on deposit, invested or on hand (credits), as proof of the financial condition. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 5)

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."

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 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)

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 County Treasurers of Indiana, Chapter 1)

The 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. . . ."

COUNTY TREASURER
SCOTT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 10, 2018, with Sheryl Jent, County Treasurer.

The contents of this report were discussed on October 11, 2018, with Tammy Stout Johnson, County Auditor; Teresa Vannarsdall, County Chief Deputy Auditor; Robert Tobias, President of the Board of County Commissioners; Jean Robbins, County Commissioner; Mike Zollman, President of the County Council; Iva Gassaway, County Council member; and Mike Carter, County Council Attorney.

CLERK OF THE CIRCUIT COURT
SCOTT COUNTY

CLERK OF THE CIRCUIT COURT
SCOTT COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

No evidence was presented for audit that indicated someone other than the persons who made up deposits and processed the daily reports verified and documented that the amounts being deposited agreed to the total amount or receipts for the day for clerk's collections and the child support collections. No evidence was presented for audit that indicated that a review of the disbursements was performed to ensure that the disbursements were in the proper amount and were properly posted to the correct accounts.

Credit card payments to the Clerk of the Circuit Court's office (Clerk) were not being reconciled properly. A separate bank account is used to account for credit card payments. These payments were not always being receipted timely. Subsequent transfers were made from this bank account to the Clerk's operating account on a monthly basis; however, there were unidentified credit card payment funds left in the bank account due to not properly receipting and reconciling the credit card payments.

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. . . ."

"OFFICIAL RESPONSE"

In response to the first paragraph which states that someone other than the persons who made the deposits and processed the daily reports verified and documented that amounts being deposited agreed with the amounts of the receipts for the day, we disagree as in Odyssey, the Superior side balances their till and then takes it to the Circuit side so that the Circuit side can re-reconcile the Superior side's till and actually has to click the re-reconcile till so that they can proceed with balancing all of the money for the entire deposit. Circuit side balances their side by the Odyssey system and verify's the money totals. The Odyssey system is our double check to make sure the money is correct. Each day a person signs into an individual cashing station only that individual can receipt in any payment or disburse under that name. At the end of the day a person from each court then consolidates all the tills for superior and circuit receipts. Reports are generated daily from the Odyssey and the Clerk then signs off monthly on the months reconciliation.

The Clerk's Office does not agree with SBOA with regard to Child Support deposits. The ISETS System doesn't allow an individual to approve their own batch in child support. At the end of the day every batch that is opened in child support has to be checked by someone other than the person that has it opened and actually has to be approved in the child support system by someone other than the person who actually processed the batch for the day. So we do have workers verifying the money totals to be correct on the child support as well.

The Clerk's Office has implemented a new system of checks and balances whereas all credit card payments are to have an Odyssey receipt attached to it. At the end of each month reports are generated from PayGov and reconciled with our bank statement. Those same reports are then used in Odyssey to make sure those payments have been receipted into Odyssey in a timely manner.


Missy Applegate
Scott County Clerk

CLERK OF THE CIRCUIT COURT
SCOTT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 10, 2018, with Missy Applegate, Clerk of the Circuit Court.

The contents of this report were discussed on October 11, 2018, with Tammy Stout Johnson, County Auditor; Teresa Vannarsdall, County Chief Deputy Auditor; Robert Tobias, President of the Board of County Commissioners; Jean Robbins, County Commissioner; Mike Zollman, President of the County Council; Iva Gassaway, County Council member; and Mike Carter, County Council Attorney.