

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

GREENE COUNTY, INDIANA

January 1, 2016 to December 31, 2016



FILED
11/29/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Patricia L. Baker Matthew W. Baker	01-01-15 to 01-10-18 01-11-18 to 12-31-18
County Treasurer	Kelly Zimmerly Nicole L. Stahl	01-01-13 to 12-31-16 01-01-17 to 12-31-20
Clerk of the Circuit Court	Susan Fowler Tammy Woodall	01-01-15 to 10-23-17 10-24-17 to 12-31-18
County Sheriff	Michael L. Hasler	01-01-15 to 12-31-18
County Recorder	Stuart A. Dowden	01-01-15 to 12-31-18
President of the Board of County Commissioners	Nathan L. Abrams Edward L. Michael Nathan L. Abrams	01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18
President of the County Council	Jerry R. Frye	01-01-16 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

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TO: THE OFFICIALS OF GREENE COUNTY, INDIANA

This report is supplemental to our audit report of Greene 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 Federal Findings and Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the County, which provides our opinion on the County's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

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 Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

September 27, 2018

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COUNTY AUDITOR
GREENE COUNTY

COUNTY AUDITOR
GREENE COUNTY
FEDERAL FINDINGS

FINDING 2016-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-001.

Condition

The County had not established effective internal controls to prevent, or detect and correct, errors in the financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the Schedule of Expenditures of Federal Awards (SEFA).

Context

The SEFA contained the following errors:

1. One federal program totaling \$4,857 was omitted.
2. Two federal grants totaling \$20,507 were understated.
3. The Child Support Enforcement grant was overstated by \$43,660.
4. The pass-through entities for two of the federal programs were incorrect.

Audit adjustments were proposed, accepted by the County, and made to the SEFA.

Criteria

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
GREENE COUNTY
FEDERAL FINDINGS
(Continued)

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 financial statements. . . ."

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

COUNTY AUDITOR
GREENE COUNTY
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the County's management establish controls to prevent, or detect and correct, errors on the SEFA.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-002

Subject: Financial Transactions and Reporting - County Auditor
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-002.

Condition

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

1. Lack of Segregation of Duties: The County had not separated incompatible activities related to the financial transactions and reporting. The County Auditor prepared and submitted financial information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source for the financial statement, without an oversight or review process.
2. Financial Transactions:
 - (A) A December 31, 2016 Electronic Fund Transfer in the amount of \$999,750 for the Community Crossings Grant was recorded in the County's ledger, but was not included in the financial statement.
 - (B) The County Options Income Tax final payment of \$317,858 was mistakenly recorded as a negative receipt. The subsequent error correction was incorrectly posted as a receipt; therefore, the incorrect total for disbursements was reported in Gateway.
 - (C) Federal and state distributions for 2016 in the amount of \$61,319 were not recorded in the correct accounting period. A Title IV-D receipt has not been recorded to date and remaining distributions were not recorded until January or February of 2017.
 - (D) A Statewide E-911 distribution from November 2015 was not recorded in the accounting records until March 2016.

COUNTY AUDITOR
GREENE COUNTY
FEDERAL FINDINGS
(Continued)

Context

The lack of adequate internal controls and noncompliance were systemic issues throughout the audit period.

Criteria

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. . . ."

Cause

Management of the County had not established a proper system of internal control, including segregation of duties.

Effect

The failure to establish controls enabled material misstatements and irregularities to remain undetected.

Recommendation

We recommended that the County establish a system of internal controls related to financial transactions and reporting to ensure that financial transactions are properly recorded and reported.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Greene County Auditor
Matthew W. Baker
Greene County Courthouse
1 E. Main St.
Bloomfield, In. 47424

Phone 812-384-2008 E-mail: matthew.baker@co.greene.in.us Fax 812-384-2041

September 20, 2018

Contact Person Responsible for Corrective Action: Matthew W. Baker, Greene County Auditor

Contact Phone Number: (812) 384-2008

View of Responsible Official: We concur with the findings.

Anticipated Completion Date: October 29, 2018

Corrective Action Plan

Finding 2016-001

Corrective Action Plan:

The Auditor's Office will work to develop proper means to accurately track the Schedule of Expenditures of Federal Awards (SEFA) for Greene County, including the CFDA numbers, the amounts received and disbursed, and the Federal agency and program. This may be done in the form of an electronic spreadsheet.

The Auditor's Office will reach out to those offices and departments who apply for and obtain Federal grant funds and compare this to the Federal Grants site in order to better maintain an accurate reporting of these Federal grant awards.

Finding 2016-002

Corrective Action Plan:

The Auditor's Office will work closely with the Treasurer's Office to establish a schedule for the prompt handling and processing of EFT's and receipts in a timely manner.

The Auditor's Office will work to establish the proper segregation of duties and internal controls needed to reduce the risk for errors.

Respectfully yours,



Matthew W. Baker

Greene County Auditor

COUNTY AUDITOR
GREENE COUNTY
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Reports B44610, B47757, and B48155.

The financial statement presented for audit included the following funds with overdrawn cash balances at December 31, 2016:

Fund	Amount Overdrawn
Tax Sale Redemption	\$ 18,008
Payroll Clearing	87,611
Settlement	1,420
Inheritance Tax	42
Project Income 16	9,676
Commissioners Certificate Sale	869
Total	<u>\$ 117,626</u>

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. In an instance where a unit receives a reimbursement grant, the unit must be claiming the reimbursement in a timely manner. In this case, it would be possible for a fund to be overdrawn for a short period of time. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The County incorrectly certified on the Indiana Gateway for Government Units financial reporting system that all personnel defined by Indiana Code 5-11-1-27(c) received training concerning the internal control standards adopted by the unit. During the audit, it was determined that the personnel had not been trained on internal controls procedures. The certification was incorrect.

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](#)."

COUNTY AUDITOR
GREENE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 27, 2018, with Matthew W. Baker, County Auditor; Nathan L. Abrams, President of the Board of County Commissioners; and William H. Harp, County Council member.

COUNTY TREASURER
GREENE COUNTY

COUNTY TREASURER
GREENE COUNTY
FEDERAL FINDINGS

FINDING 2016-003

Subject: Financial Transactions and Reporting - County Treasurer

Audit Findings: Material Weakness, Noncompliance

Condition

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

1. Lack of Segregation of Duties: The County Treasurer had not separated incompatible activities related to cash and investments. The bank reconciliations were prepared by one individual without an oversight or review process.
2. Financial Transactions: Each month a depository reconciliation of the fund balances to the bank account balances was conducted; however, not all differences between the bank account balance and the County Treasurer's Cash Book were identified. The daily transactions for 12 days in December 2016 were not posted timely. The Cash Book presented for audit had a gap in posting from December 15, 2016 to December 27, 2016.

Context

The lack of adequate internal controls and noncompliance were systemic issues throughout the audit period.

Criteria

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 TREASURER
GREENE COUNTY
FEDERAL FINDINGS
(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. . . ."

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 County Treasurers of Indiana, Chapter 1)

Cause

Management of the County had not established a proper system of internal control over financial transactions, reporting, and cash and investments.

Effect

The failure to establish controls enabled misstatements and irregularities to remain undetected.

Recommendation

We recommended that the County's management establish a system of internal controls, including proper segregation of duties.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Treasurer of Greene County

Nicole Stahl



1 Main Street Room 130 ~ Bloomfield, IN 47424 ~ 812-384-4378

CORRECTIVE ACTION PLAN

FINDING 2016-003)

Contact Person Responsible for Corrective Action: Nicole Stahl

Contact Phone Number: 812-384-4378

Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan: Kelly Zimmerly was in office in 2016. In January 1, 2017, I took office and changed the office policies. Segregation of Duties follows the Internal Control Policy outlined by SBOA. My staff reviews it annually and a copy is in our policy procedure manual.

In regards to financial transactions and reconciliation, we reconcile our cash book to the bank records and track down errors and discrepancies. Often the entire staff is involved in the reconciliation process to adhere to the dual control standards. If errors are located, a second person will review and make the corrections.

Anticipated Completion Date: Implemented 1-1-18



(Signature)

Treasurer

(Title)

9-24-18

(Date)

COUNTY TREASURER
GREENE COUNTY
AUDIT RESULTS AND COMMENTS

DESIGNATED DEPOSITORY

The County Treasurer's Cash Book showed County funds in the amount of \$6,554,373 invested with an investment company at December 31, 2016. The account statement from the investment company for the year ended December 31, 2016, showed the fair market value at December 31, 2016, was \$6,586,393. The investment company was not a designated depository or statutorily defined financial institution as required by Indiana Code 5-13-9-2(d).

The fair market value of investments reflected on the statement included:

Cash, Money Funds, and Bank Deposits	\$ 254,702
Certificates of Deposit	892,800
U.S. Government Bonds	343,828
Municipal Bonds	<u>5,095,063</u>
 Total Market Value	 <u>\$ 6,586,393</u>

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:
 - (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 receipts or other reporting for securities from:

COUNTY TREASURER
GREENE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (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 (\$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 stated 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:
 - (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.

COUNTY TREASURER
GREENE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (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)

DEPOSITS NOT TIMELY AND INTACT

Deposits made by the County Treasurer in December totaling \$3,433,251 were not made timely.

Total deposits made in August, November, and December were not made intact. The payment summaries for these months reflect more cash being received than documented on the deposit tickets.

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 . . . shall be deposited in the same form in which they were received."

October 18, 2018

To Whom It Concerns:

Now, on to the rest of the response. In addressing the internal controls of the office, I feel I did a good job of having a handle on what was going on in my office at the time. From the moment I became Treasurer, I was always striving to learn everything that went along with the position. The State Board of Accounts had attempted to address internal controls at the treasurers' conferences and meetings, but at the time I was in office, they had not given us clear instructions on what they expected of small offices. I had both of my deputies balancing different bank statements, as well as, I had done so a few times myself. My first deputy always knew what the second deputy had done with the accounts for which he was responsible as she did the monthly reports that were sent to the state. I do know that, at times, my second deputy would have problems because of not having the required documentation from the auditor's office in a timely manner.

In reference to untimely transactions in the cashbook and some things not matching – I can only say this: since it has been almost two years and I did not see the evidence they were using to support their claims, I cannot believe there to be as much of an issue as they are suggesting. When there were conferences and meetings, I took both of my deputies with me so they could learn as much as they needed to learn and I left an extra hire person to run the office. On most of those occasions, the office did not accept cash payments and the money collected per checks and credit cards were handled and put in the auditor's safe until we were back and could get them handled in the cashbook. During the time period referenced in December, if you look at actual business days, there were only seven days. Again, my second deputy did not work in the cashbook and my first deputy and I were gone – she with some vacation days and me with illness and Christmas. On all occasions, as soon as we were back in the office, the cashbook was done daily and brought up to date.

Now to the most major problem with the audit: First Empire Securities is **NOT A DEPOSITORY!!!** First Empire Securities is a brokerage firm – therefore, I used a broker to

invest the county's money in CD's through the banks of BMO Harris Bank, Community First Bank Kokomo, JPMorgan Chase and Wells Fargo all of which are on the **approved depository list obtained from Indiana's website**; Government Bonds which are backed by the full faith and credit of the United States Treasury which is spelled out in IC 5-13-9-2 Sec. 2 (1) and in municipal bonds throughout the State of Indiana as follows:

Pike County School Corp.
Brownsburg Community School
Centerville Abington Elem. School
Elkhart Community Schools
Indianapolis Local Public Improvement
Greene County Building Corp.
Wayne Twp. Methodist School Dist.
Indiana Bond Bank
Whitley Co. Middle School Bldg. Corp.
Evansville Vanderburgh Public Corp.
Fishers Ind. Econ. Redevelopment
Plainfield Community School
Carmel Redevelopment

Which is approved by IC 5-13-9-2 Sec. 2 (3). All of the money that was invested in the above mentioned securities was wired to a **Pershing Account** through **The Bank of New York Mellon** which has more than \$25 trillion dollars in assets which is also on the **Approved Depository List** - *IC 5-13-9-2 Sec. (3) (d) (2) states 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* I believe The Bank of New York Mellon does have that designation. At the time I was investing, I was not able by any local approved depository in Greene County to get any kind of interest rates comparable to investing through a broker. Many times I would try to get good rates through the financial institutions in Greene County only to be told the rates would be less, much less, than one half percent.

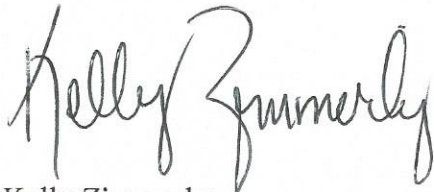
Other treasurers in other Indiana counties have used First Empire Securities to invest and they have not been written up in their audits. I have talked to them personally without going into details of my situation and they have told me that the State Board of Accounts had not said anything to them in their audits. I am not sure why I have been singled out for using First Empire Securities except that I was told there had been a confidential complaint submitted.

Therefore, my response is that as Treasurer of Greene County, I was in compliance with Indiana Code in using a broker, like many others, to invest the county's money. An analogy to using a broker to invest so that you understand how this process works would be as follows: If you want to own stock in Walt Disney World, you would not call Walt Disney World personally to purchase stock, you would use a broker. Also, it was mentioned to me that I did not have a piece of paper in hand for the investments I made for the county. That is true because investing is done digitally, just as I am sure, if you have a retirement investment, you do not have anything paper other than your statement saying how your retirement investment is doing.

I strongly feel that any issue in the audit stating noncompliance with any issue is not a true audit report.

In future audits, I would strongly suggest that the employees of the State Board of Accounts have all of their facts and do their due diligence in their investigation before making false charges and accusations.

Sincerely,

A handwritten signature in cursive script that reads "Kelly Zimmerly". The signature is written in black ink and is positioned above the printed name.

Kelly Zimmerly

Enclosure

CC: Paul Joyce

Tammy White

Name	City	State
ALLIANCE BANK	FRANCESVILLE	IN
AMERICAN COMMUNITY BANK OF IN	MUNSTER	IN
BANK OF AMERICA, N.A.	CHICAGO	IL
BANK OF GENEVA	GENEVA	IN
BANK OF NEW YORK MELLON TRUST	LOS ANGELES	CA
BANK OF WOLCOTT	WOLCOTT	IN
BANTERRA BANK	ELDORADO	IL
BATH STATE BANK	BATH	IN
BEACON CREDIT UNION	WABASH	IN
BEDFORD FEDERAL SAVINGS BANK	BEDFORD	IN
BIPPUS STATE BANK	HUNTINGTON	IN
BLOOMFIELD STATE BANK	BLOOMFIELD	IN
BMO HARRIS BANK N.A.	CHICAGO	IL
BOONVILLE FEDERAL SAVINGS BK.	BOONVILLE	IN
BRANCH BANKING AND TRUST CO.	LUMBERTON	NC
BUSEY BANK	CHAMPAIGN	IL
CAMPBELL & FETTER BANK	KENDALLVILLE	IN
CENTIER BANK	WHITING	IN
CENTRA CREDIT UNION	COLUMBUS	IN
CENTREBANK	VEEDERSBURG	IN
CHEMICAL BANK	GOSHEN	IN
CITIZENS BANK	MOORESVILLE	IN
CITIZENS STATE BANK	NEW CASTLE	IN
COMMERCE BANK	EVANSVILLE	IN
COMMUNITY FIRST BANK, HWD. CTY	KOKOMO	IN
COMMUNITY STATE BANK	AVILLA	IN
COMMUNITY STATE BANK	BROOK	IN
COMMUNITY STATE BANK	ROYAL CENTER	IN
COMMUNITY STATE BANK OF SW IN	CYNTHIANA	IN
CRANE CREDIT UNION	ODON	IN
CROSSROADS BANK	WABASH	IN
DEARBORN SAVINGS ASSN., FA	LAWRENCEBURG	IN
DEMOTTE STATE BANK	DEMOTTE	IN
ELBERFELD STATE BANK	ELBERFELD	IN
FAIRMOUNT STATE BANK	FAIRMOUNT	IN
FAMILY HORIZONS CREDIT UNION	INDIANAPOLIS	IN
FARMERS & MECHANICS FED. S & L	BLOOMFIELD	IN
FARMERS & MERCHANTS BANK	LAOTTO	IN
FARMERS & MERCHANTS BANK	BOSWELL	IN
FARMERS & MERCHANTS STATE, THE	ARCHBOLD	OH
FARMERS BANK	FRANKFORT	IN
FARMERS STATE BANK	LAGRANGE	IN
FCN BANK, NATIONAL ASSOCIATION	BROOKVILLE	IN
FIELD & MAIN BANK	HENDERSON	KY
FIFTH THIRD BANK	CINCINNATI	OH

FINANCIAL CENTER FIRST CREDIT UNION	INDIANAPOLIS	IN
FIREFIGHTERS CREDIT UNION	INDIANAPOLIS	IN
FIRST BANK OF BERNE	BERNE	IN
FIRST BANK RICHMOND, NA	RICHMOND	IN
FIRST FARMERS BANK & TRUST	CONVERSE	IN
FIRST FED. SAV. BK. OF WASH.	WASHINGTON	IN
FIRST FEDERAL BANK OF THE MIDWEST	DEFIANCE	OH
FIRST FEDERAL S & L ASSN.	GREENSBURG	IN
FIRST FEDERAL SAVINGS BANK	HUNTINGTON	IN
FIRST FEDERAL SAVINGS BANK	ANGOLA	IN
FIRST FEDERAL SAVINGS BANK	ROCHESTER	IN
FIRST FEDERAL SAVINGS BANK	EVANSVILLE	IN
FIRST FINANCIAL BANK, N.A.	HAMILTON	OH
FIRST FINANCIAL BANK, N.A.	TERRE HAUTE	IN
FIRST HARRISON BANK	CORYDON	IN
FIRST INTERNET BANK OF INDIANA	INDIANAPOLIS	IN
FIRST MERCHANTS BANK, N.A.	MUNCIE	IN
FIRST MIDWEST BANK	ITASCA	IL
FIRST NATIONAL BANK	CLOVERDALE	IN
FIRST NATIONAL BANK - MONTEREY	MONTEREY	IN
FIRST NATIONAL BANK OF CARM	CARM	IL
FIRST NATIONAL BANK OF ODO	ODO	IN
FIRST ROBINSON SAVINGS BANK	ROBINSON	IL
FIRST SAVINGS BANK, FSB	CLARKSVILLE	IN
FIRST SAVINGS BANK OF HEGEWISCH	CHICAGO	IL
FIRST SECURITY BANK	EVANSVILLE	IN
1st SOURCE BANK	SOUTH BEND	IN
FIRST STATE BANK OF MIDDLEBURY	MIDDLEBURY	IN
FIRST STATE BANK OF PORTER	PORTER	IN
FORUM CREDIT UNION	FISHERS	IN
FOUNTAIN TRUST COMPANY	COVINGTON	IN
FOWLER STATE BANK	FOWLER	IN
FREEDOM BANK	HUNTINGBURG	IN
FRIENDSHIP STATE BANK	FRIENDSHIP	IN
GARRETT STATE BANK	GARRETT	IN
GERMAN AMERICAN BANCORP	JASPER	IN
GRANT COUNTY STATE BANK	SWAYZEE	IN
GREENFIELD BANKING COMPANY	GREENFIELD	IN
HENDRICKS COUNTY B & T COMPANY	BROWNSBURG	IN
HERITAGE STATE BANK	LAWRENCEVILLE	IL
HICKSVILLE BANK	HICKSVILLE	OH
HOME BANK, S.B.	MARTINSVILLE	IN
HOME NAT'L BANK OF THORNTOWN	THORNTOWN	IN
HOOSIER HEARTLAND STATE BANK	CRAWFORDSVILLE	IN
HOOSIER HILLS C.U.	BEDFORD	IN
HORIZON BANK, NA	MICHIGAN CITY	IN
HUNTINGTON NATIONAL BANK, THE	COLUMBUS	OH

INDIANA MEMBERS CREDIT UNION	INDIANAPOLIS	IN
INTERRA CREDIT UNION	GOSHEN	IN
JACKSON COUNTY BANK	SEYMOUR	IN
JPMORGAN CHASE BANK, N. A.	NEW YORK	NY
KENTLAND BANK	KENTLAND	IN
KENTLAND FEDERAL S & L ASSN.	KENTLAND	IN
KEY BANK, NA	CLEVELAND	OH
LAKE CITY BANK	WARSAW	IN
LEGENGE BANK	ELDORADO	IL
LNB COMMUNITY BANK	LYNNVILLE	IN
LOGANSPOORT SAVINGS BANK, FSB	LOGANSPOORT	IN
MAINSOURCE BANK	GREENSBURG	IN
MARTIN COUNTY COOPERATIVE C.U.	LOGOOTEETEE	IN
MB FINANCIAL BANK	CHICAGO	IL
MEMBERS ADVANTAGE CREDIT UNION	MICHIGAN	IN
MERCHANTS BANK OF INDIANA	LYNN	IN
MID-SOUTHERN SAVINGS BANK, FSB	SALEM	IN
MUTUAL BANK	MUNCIE	IN
MUTUAL SAVINGS BANK	FRANKLIN	IN
NAPOLEON STATE BANK, THE	NAPOLEON	IN
NAT'L BANK OF INDIANAPOLIS,THE	INDIANAPOLIS	IN
NEW WASHINGTON STATE BANK	NEW WASHINGTON	IN
NORTH SALEM STATE BANK	NORTH SALEM	IN
OLD NATIONAL BANK	EVANSVILLE	IN
OLD PLANK TRAIL COMMUNITY BANK	NEW LENOX	IL
OSSIAN STATE BANK	OSSIAN	IN
OUR COMMUNITY BANK	SPENCER	IN
OWEN COUNTY STATE BANK	SPENCER	IN
PEOPLES BANK	BROWNSTOWN	IN
PEOPLES BANK SB	MUNSTER	IN
PEOPLES STATE BANK	ELLETTSVILLE	IN
PEOPLES TRUST & SAVINGS BANK	BOONVILLE	IN
PNC BANK, N.A.	PITTSBURGH	PA
PROVIDENCE BANK	SOUTH HOLLAND	IL
REGIONS BANK	BIRMINGHAM	AL
REPUBLIC BANK & TRUST COMPANY	LOUISVILLE	KY
RIDDELL NATIONAL BANK	BRAZIL	IN
SALIN BANK & TRUST CO.	INDIANAPOLIS	IN
SCOTTSBURG B & L ASSOCIATION	SCOTTSBURG	IN
SECURITY FEDERAL SAVINGS BANK	LOGANSPOORT	IN
SPENCER COUNTY BANK	SANTA CLAUS	IN
SPRINGS VALLEY BANK & TRUST CO	FRENCH LICK	IN
STALEY CREDIT UNION	DECATUR	IL
STAR FINANCIAL BANK	FORT WAYNE	IN
STATE BANK AND TRUST CO, THE	DEFIANCE	OH
STATE BANK OF BURNETTSVILLE	BURNETTSVILLE	IN
STATE BANK OF LIZTON	LIZTON	IN

STATE BANK OF MEDORA	MEDORA	IN
STOCK YARDS BANK & TRUST CO.	LOUISVILLE	KY
TEACHERS CU	SOUTH BEND	IN
TECH CREDIT UNION	CROWN POINT	IN
TERRE HAUTE SAVINGS BANK	TERRE HAUTE	IN
THE PRIVATE BANK	CHICAGO	IL
TRI-COUNTY BANK & TRUST CO.	ROACHDALE	IN
U.S. BANK NATIONAL ASSOCIATION	ST. PAUL	MN
UNION S & L ASSOCIATION	CONNERSVILLE	IN
UNITED COMMUNITY BANK	LAWRENCEBURG	IN
UNITED FIDELITY BANK , FSB	EVANSVILLE	IN
VIA CREDIT UNION	MARION	IN
WAYNE BANK & TRUST COMPANY	CAMBRIDGE CTY	IN
WELLS FARGO BANK, NA	SAN FRANCISCO	CA
WESBANCO BANK, INC.	NEW ALBANY	IN
WEST END SAVINGS BANK	RICHMOND	IN
WESTERN INDIANA CREDIT UNION	SULLIVAN	IN

INDIANA STATE BOARD OF ACCOUNTS RESPONSE

To provide clarity and perspective, we are commenting on the Official Response to our Audit Result and Comment (ARC) titled *Designated Depository*. An Official Response to this comment was submitted by Kelly Zimmerly, former Treasurer of Greene County.

Our audit position would agree that a brokerage firm is not a depository and that is the basis of the finding. Public funds must be deposited with a designated depository. If the county invests in allowable securities, those investments must be in the custody of an approved depository or financial institution and not with a brokerage firm. The safekeeping receipts, reports and statements on the investments would come from an approved depository or financial institution. Certificates of Deposit must be purchased in compliance with Indiana Code 5-13-9-4 and should be purchased directly from the designated depository and not be purchased through a broker. Deposits that are not held by a designated depository are not covered by the Public Deposit Insurance Fund and may not be covered by insurance of any federal deposit insurance agency.

COUNTY TREASURER
GREENE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 27, 2018, with Kelly Zimmerly, former County Treasurer; Nicole L. Stahl, County Treasurer; Nathan L. Abrams, President of the Board of County Commissioners; and William H. Harp, County Council member.

CLERK OF THE CIRCUIT COURT
GREENE COUNTY

CLERK OF THE CIRCUIT COURT
GREENE COUNTY
FEDERAL FINDINGS

FINDING 2016-004

Subject: Financial Transactions and Reporting - Clerk of the Circuit Court
Audit Finding: Material Weakness

Condition

There was a lack of segregations of duties within the internal control system of the Clerk of the Circuit Court (Clerk) related to financial transactions and reporting. The Clerk had not separated incompatible activities related to disbursements.

Individuals with responsibility for disbursing funds had complete control over the disbursements function. The checks were signed through the computer as they were generated. The same individuals then mailed the checks. There was no indication of a review, oversight, or approval process.

Context

The lack of internal controls was a systemic issue throughout the audit period.

Criteria

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. . . ."

Cause

Management of the County had not established a proper system of internal control over the Clerk's disbursements.

Effect

The failure to establish controls could have enabled misstatements or irregularities to remain undetected.

Recommendation

We recommended that the County's management establish a system of internal controls related to financial transactions and reporting of the Clerk's disbursements.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



Greene County Clerk of Circuit & Superior Courts

PO Box 229
Bloomfield IN 47424

Phone 812-384-8532
Fax 812-384-8458

clerk@co.greene.in.us

CORRECTIVE ACTION PLAN

FINDING 2016-004

Contact Person Responsible for Corrective Action: Tammy Woodall
Contact Phone Number: 812-384-8532

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: In Regard to the Internal Controls over Financial Transactions, I immediately took steps to implement more effective internal controls within our office. There are three employees within the office that completes checkout every day, a first deputy and a second deputy and myself. The person doing check out and printing the daily checks will check them against the computer and the computer generated transaction detail report the checks are then checked against the transaction detail report by one of the deputy clerks before the checks are mailed out. The transaction detail report is initialed by each person to verify the review.

Anticipated Completion Date: All of the above has been implemented as of August 20, 2018.


(Signature)

Greene County Clerk
(Title)


(Date)

CLERK OF THE CIRCUIT COURT
GREENE COUNTY
AUDIT RESULT AND COMMENT

CONDITION OF RECORDS

The same comment also appeared in prior Reports B44610, B47757, and B48155.

Financial records presented for audit for the Clerk of the Circuit Court's (Clerk) funds were incomplete and not reflective of the activity of the Clerk's funds. The records presented included a print out from an old MHI account with a detail of accounts payable that did not agree to the amount being used as the cash fund balance. This is an old account that cannot be converted to the new Odyssey system. It contains many posting errors made over a long period of time.

The MHI account records included an outstanding check list, but it was not being used as part of the reconciliation of the account. As of December 31, 2016, the detail to the control ledger was \$33,234 short. The cash reconciliation using the outstanding check list for the MHI account was \$7,979.27 short.

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 Clerks of the Circuit Courts of Indiana, Chapter 1)

CLERK OF THE CIRCUIT COURT
GREENE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 27, 2018, with Tammy Woodall, Clerk of the Circuit Court; Nathan L. Abrams, President of the Board of County Commissioners; and William H. Harp, County Council member.

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BOARD OF COUNTY COMMISSIONERS
GREENE COUNTY

BOARD OF COUNTY COMMISSIONERS
GREENE COUNTY
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

The County passed ordinance 2016-02, which states in part: ". . . that the Greene County Personnel Administration Committee shall be tasked with ensuring training is provided to all necessary personnel pursuant to this policy and Indiana Code 5-11-1-27(g)(2) . . ."

The County failed to ensure that all personnel and department heads received the required training.

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
GREENE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 27, 2018, with Nathan L. Abrams, President of the Board of County Commissioners.