

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

GREENE COUNTY, INDIANA

January 1, 2017 to December 31, 2017



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	Nicole L. Stahl	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	Edward L. Michael Nathan L. Abrams	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
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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, 2017 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 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 9, 2018

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COUNTY AUDITOR
GREENE COUNTY

COUNTY AUDITOR
GREENE COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in prior Report B51412, entitled *FINDING 2016-002*.

The County Auditor did not have a proper system of internal control in place to prevent, or detect and correct, errors in the Annual Financial Report entered into the Indiana Gateway for Government Units (Gateway) financial reporting system. The County Auditor entered the financial information into Gateway, without a review or approval process.

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. . . ."

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Reports B44610, B47757, B48155 and B51413.

The financial statement presented for audit included the following funds with overdrawn cash balances at December 31, 2017:

Fund	Amount Overdrawn
Promotion Of Economic Dev & Tourism	\$ 545,897
Tax Sale Redemption	17,284
Tax Sale Surplus	43,730
Adult Probation Administrative	1,099
Juvenile Probation Administrative	1,848
Payroll Clearing	90,464
Settlement	1,516
CVET Agency	20
Inheritance Tax	30
Community Building Donations	7,932
2017 Project Income	23,399
Commissioners Certificate Sale	869
Total	\$ 734,088

COUNTY AUDITOR
GREENE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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 in which a unit receives a reimbursement grant, the unit must be claiming 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 same comment also appeared in prior Report B51413.

The County incorrectly certified on the Gateway 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 County.

Indiana Code 5-11-13-1(a) states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts. . . . The certification must be 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 October 9, 2018, with Matthew W. Baker, County Auditor, and Nathan L. Abrams, President of the Board of County Commissioners.

COUNTY TREASURER
GREENE COUNTY

COUNTY TREASURER
GREENE COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in prior Report B51412, entitled *FINDING 2016-003*.

There were several deficiencies in the internal control system of the County Treasurer related to financial transactions and reporting of cash and investments. There was no evidence that the County had separated incompatible activities related to cash and investments.

The internal control procedures over cash and investments that had been adopted by the County could not be verified. Evidence that the depositing and recording of receipts was performed by two separate individuals was not presented. Also, evidence that bank reconciliations were prepared by one individual with an oversight or review process by another individual was not presented.

Also, the Treasurer did not properly reconcile the Treasurer's Cash Book to the County Auditor's Funds Ledger at the end of each month. At December 31, 2017, there was a difference of \$1,158,560 between the Treasurer's Cash Book year-end total and Auditor's Funds Ledger. Errors of \$424,618 were identified and adjusted in the financial statement.

In addition, the After Settlement Collections fund balance reported to the County Auditor for inclusion in the Annual Financial Report and financial statement for 2017 was understated by \$196,233. This amount was adjusted in the financial statement.

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:

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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 other exception is the after December settlement collections by the treasurer. The county treasurer will reflect on the supplemental annual report as the beginning balances the previous year's ending balance. The disbursements column will be the same as the beginning balance. This has the effect

COUNTY TREASURER
GREENE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

of reversing out the prior year activity. The amount for receipts and ending balance is arrived at by taking the ending balance on the treasurer's daily cash sheet for the current December 31th balance of taxes to be settled + total other sources. (The County Bulletin and Uniform Compliance Guidelines, January 2014)

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.

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 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)

BANK ACCOUNT RECONCILIATIONS

Bank account reconciliations presented for audit contained the following errors:

1. Not all bank statements were presented for audit. Upon request, bank statements were subsequently obtained by the County Treasurer.
2. The outstanding check list at December 31, 2017, was not accurate. According to the bank reconciliations presented for audit, the outstanding checks reported for one of the bank accounts was \$2,712,071. The actual outstanding checks totaled to \$779,871.
3. Investment income in the amount of \$25,699 was not entered into the financial records.

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."

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

COUNTY TREASURER
GREENE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 9, 2018, with Nicole L. Stahl, County Treasurer, and Nathan L. Abrams, President of the Board of County Commissioners.

CLERK OF THE CIRCUIT COURT
GREENE COUNTY

CLERK OF THE CIRCUIT COURT
GREENE COUNTY
AUDIT RESULTS AND COMMENTS

CONDITION OF RECORDS

The same comment also appeared in prior Report B44610, B47757, B48155, and B51413.

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 used as the cash fund balance. This was an old account that could not be converted to the new Odyssey system. It contained many posting errors made over a long period of time.

The MHI account records included an outstanding check list, but it was not used as part of the reconciliation. As of December 31, 2017, the detail to the control ledger was \$55,892 short. The MHI cash reconciliation was \$9,619 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 should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 1)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in prior Report B51412, entitled *FINDING 2016-004*.

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

CLERK OF THE CIRCUIT COURT
GREENE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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 mailed the checks. There was no indication of an oversight, review, or approval process.

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:

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CLERK OF THE CIRCUIT COURT
GREENE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 9, 2018, with Tammy Woodall, Clerk of the Circuit Court, and Nathan L Abrams, President of the Board of County Commissioners.

BOARD OF COUNTY COMMISSIONERS
GREENE COUNTY

BOARD OF COUNTY COMMISSIONERS
GREENE COUNTY
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Report B51413.

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 October 9, 2018, with Matthew W. Baker, County Auditor, and Nathan L Abrams, President of the Board of County Commissioners.