

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

DELAWARE COUNTY, INDIANA

January 1, 2017 to December 31, 2017



**FILED**

12/13/2018



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Steven Craycraft	01-01-15 to 12-31-18
County Treasurer	Edward E. Carroll, Jr.	01-01-17 to 12-31-20
Clerk of the Circuit Court	Mike King	01-01-15 to 12-31-18
County Sheriff	Ray Dudley	06-04-15 to 12-31-18
County Recorder	Melanie Marshall	01-01-15 to 12-31-18
President of the Board of County Commissioners	James King	01-01-17 to 12-31-18
President of the County Council	Ron Quakenbush	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](http://www.in.gov/sboa)

TO: THE OFFICIALS OF DELAWARE COUNTY, INDIANA

This report is supplemental to our audit report of Delaware 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 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 opinions on the County's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, were not verified for accuracy.

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

November 20, 2018

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BOARD OF COUNTY COMMISSIONERS  
DELAWARE COUNTY

BOARD OF COUNTY COMMISSIONERS  
DELAWARE COUNTY  
AUDIT RESULT AND COMMENT

***ADOPTION AND TRAINING ON INTERNAL CONTROL STANDARDS***

The same comment appeared in prior Report B51520.

The County failed to adopt the minimum internal control standards and procedures as required by Indiana Code 5-11-1-27(g). Therefore, the County did not train personnel on internal control standards as also required by IC 5-11-1-27(g).

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  
DELAWARE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 20, 2018, with Sherry Riggin, County Commissioner; Jane Lasater, County Council member; and Scott Alexander, County Council member.

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COUNTY AUDITOR  
DELAWARE COUNTY

COUNTY AUDITOR  
DELAWARE COUNTY  
FEDERAL FINDING

***FINDING 2017-001***

Subject: Internal Controls over Financial Transactions and Reporting  
Audit Findings: Material Weakness, Noncompliance

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-002.

*Condition*

The County did not design effective controls over the preparation of the financial statement in order to prevent, or detect and correct, material misstatements, including the notes to the financial statement. The County submitted financial information into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report (AFR). The AFR was used to compile the County's financial statement. There was no control in place, such as an oversight, review, or approval process, to ensure the accuracy of the financial information prior to submission.

*Context*

Due to the lack of controls, the following errors occurred on the financial statement presented for audit:

1. County Treasurer's Office: No effective controls were in place to determine that the County Treasurer had properly reconciled to the County Auditor's office or that the amounts submitted for inclusion in the AFR were accurate. This resulted in an overstatement of \$99,323,584 in receipts and an overstatement of \$105,323,585 in expenditures on the financial statement.
2. County Treasurer's Office: No effective controls were in place to ensure that the County Treasurer had properly maintained supporting documentation for the multiple bank reconciliations. Outstanding check lists were not maintained to support the County's reconciliation, which resulted in an unreconciled variance of \$113,627.
3. County Redevelopment Commission: There were no controls established over trust accounts held by the County Redevelopment Commission. There were 14 trust accounts held for redevelopment accounts outside the County Auditors records. There was no comprehensive review of these accounts performed, and ledgers were not properly maintained.
4. Inmate Trust: No effective controls were in place to ensure the Inmate Trust bank account was properly reconciled to the ledger balance. An outstanding check list was not maintained for the account, which resulted in an overstatement of \$20,880 of cash and investments on the financial statement.

*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:

COUNTY AUDITOR  
DELAWARE COUNTY  
FEDERAL FINDING  
(Continued)

"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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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](#)."

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."

*Cause*

Management of the County had not established a proper system of internal control related to the County's financial transactions and reporting.

*Effect*

The failure to establish and properly implement internal controls enabled material misstatements to go undetected. The financial statement obtained the errors identified in the *Context*.

*Views of Responsible Officials*

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



***Steven G. Craycraft***  
*Delaware County Auditor*

**FINDING 2017-001:**

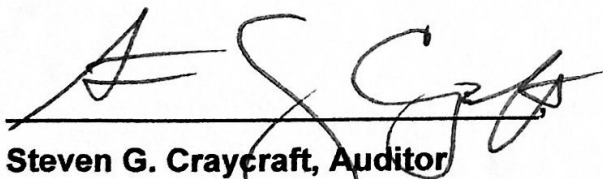
**CONTACT PERSON: STEVEN G. CRAYCRAFT, AUDITOR**  
**765-747-7717**

**I concur with the finding.**

**CORRECTIVE ACTION PLAN:**

**The County Auditor will review any and all information to be submitted into Gateway and will check to insure that the information to be submitted is accurate.**

**TO BE COMPLETED BY DECEMBER 31, 2018.**

  
\_\_\_\_\_  
**Steven G. Craycraft, Auditor**  
**Delaware County, Indiana**

**100 W. Main Street Room 103 Muncie, IN 47305**  
**Office: 765-747-7717 Fax: 765-741-3422**  
**E-mail: [scraycraft@co.delaware.in.us](mailto:scraycraft@co.delaware.in.us)**



***Steven G. Craycraft***  
*Delaware County Auditor*

**FINDING 2017-001:**


**CONTACT PERSON: BRAD BOOKOUT, COUNTY REDEVELOPMENT  
REPORT BY STEVEN G. CRAYCRAFT, AUDITOR  
765-747-7717**

**I concur with the finding.**

**CORRECTIVE ACTION PLAN:**

**The County Auditor now has oversight over accounts associated with Delaware County Redevelopment and they are now being ran through the Auditors Office. County Redevelopment trust accounts over time are being eliminated.**

**TO BE COMPLETED BY DECEMBER 31, 2018.**

  
**Steven G. Craycraft, Auditor  
Delaware County, Indiana**

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COUNTY AUDITOR  
DELAWARE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 20, 2018, with Steven Craycraft, County Auditor; Sherry Riggin, County Commissioner; Jane Lasater, County Council member; and Scott Alexander, County Council member.

COUNTY TREASURER  
DELAWARE COUNTY

COUNTY TREASURER  
DELAWARE COUNTY  
FEDERAL FINDING

***FINDING 2017-001***

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COUNTY TREASURER  
DELAWARE COUNTY  
FEDERAL FINDING  
(Continued)

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*Cause*

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*Views of Responsible Officials*

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



# **Steven G. Craycraft**

## *Delaware County Auditor*

### CORRECTIVE ACTION PLAN

FINDING 2017-001

County Treasurer: Overstatement of Receipts and Expenditures on "Supplemental Annual Financial Report"

Contact Person Responsible for the Corrective Action: Ed Carroll

Contact Phone Number: 765-747-7808

Views of Responsible Official:

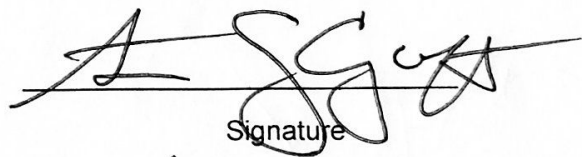
*Because the 2016 and 2017 audits were completed at the same time, there was no time available to implement corrective action in 2017 to prevent finding.*

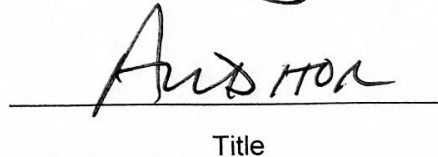
Although supporting hand written notes on documents of phone conversations with SBOA indicate "bi-annual settlement" amounts should be included "Supplemental Annual Financial Report" which caused and overstatement of Receipts and Expenditures.

The settlement amounts were included on the "Supplemental Annual Financial Report" which is the form supplied to the auditor reporting year end financials.

Description of Corrective Action Plan: DO NOT include settlement amounts on the "Supplemental Annual Financial Report". New policy and procedures are now created outlining how to complete "Supplemental Annual Financial Report" as part of internal controls, then signed by office holder prior to submitting to Auditor.

Anticipated Completion Date: 01/01/2019

  
Signature

  
Title

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# **Steven G. Craycraft**

## *Delaware County Auditor*

### CORRECTIVE ACTION PLAN

FINDING 2017-001

County Treasurer: Outstanding Checks

Contact Person Responsible for the Corrective Action: Ed Carroll

Contact Phone Number: 765-747-7808

Views of Responsible Official:


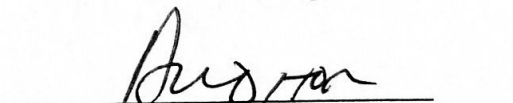
*Because the 2016 and 2017 audits were completed at the same time, there was no time available to implement corrective action in 2017 to prevent finding.*

All financials, bank statements, TR-47 and bank reconciliation have been included as part of the month end reporting. TR-47 and bank reconciliation were both prepared by Assist Bookkeeper. Prior to February 2016, Assistant Bookkeeper kept self-made spreadsheet of outstanding checks. However the outstanding checks, the prior Assistant Bookkeeper had not kept any records of outstanding checks since February 2016 and resigned January 2017. During transition training period of old and new Assistant Bookkeepers. Training on tracking of outstanding checks in a spreadsheet never occurred, given the fact tracking stopped by old Assistant Bookkeeper in February of 2016. New Assistant Bookkeeper hired February 2017 did not go back to 2016 when reconciling outstanding checks.

Description of Corrective Action Plan: We now have a separation of duties. Head Bookkeeper completes preliminary TR-47, Assist Bookkeeper completes bank reconciliation. Both reports are required to match and signed by office holder prior to TR-47 being submitted.

A separate excel spreadsheet of outstanding check list report is no longer utilized. As of September 2018 the bank statements "including outstanding checks" are imported into the check writing software system on a monthly basis for reconciliation. The outstanding check list is now included w/month-end financials "bank statements, bank reconciliation and TR-47.

Anticipated Completion Date: 01/01/2019

  
Signature  


COUNTY TREASURER  
DELAWARE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 20, 2018, with Edward E. Carroll Jr., County Treasurer; Sherry Riggan, County Commissioner; Jane Lasater, County Council member; and Scott Alexander, County Council member.

COUNTY SHERIFF  
DELAWARE COUNTY

COUNTY SHERIFF  
DELAWARE COUNTY  
FEDERAL FINDING

***FINDING 2017-001***

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COUNTY SHERIFF  
DELAWARE COUNTY  
FEDERAL FINDING  
(Continued)

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*Effect*

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*Views of Responsible Officials*

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



***Steven G. Craycraft***  
*Delaware County Auditor*

**FINDING 2017-001:**

**CONTACT PERSON: RAY DUDLEY, SHERIFF**  
**REPORT BY STEVEN G. CRAYCRAFT, AUDITOR**  
**765-747-7717**

**I concur with the finding.**

**CORRECTIVE ACTION PLAN:**

**The Sheriff's office is going with another company to keep track of the inmate trust accounts and will work to find the difference so that when it is in place all is reconciled. Our completion date goal is January - March 2019.**

**TO BE COMPLETED JANUARY – MARCH 2019.**

A handwritten signature in black ink, appearing to read "S. Craycraft", written over a horizontal line.

**Steven G. Craycraft, Auditor**

**Delaware County, Indiana**

**100 W. Main Street Room 103 Muncie, IN 47305**  
**Office: 765-747-7717 Fax: 765-741-3422**  
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COUNTY SHERIFF  
DELAWARE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 20, 2018, with Ray Dudley, County Sheriff; Sherry Riggan, County Commissioner; Jane Lasater, County Council member; and Scott Alexander, County Council member.