

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

DECATUR COUNTY, INDIANA

January 1, 2016 to December 31, 2016



FILED
12/26/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
County Auditor:	
Audit Results and Comments:	
Overdrawn Cash Balances	6
Reconcilement Between County Treasurer and County Auditor	6
Exit Conference	7
County Treasurer:	
Audit Results and Comments:	
Internal Controls	10
Reconcilement Between County Treasurer and County Auditor	10-11
Internal Controls over Cash and Investments.....	11
Exit Conference	12
Clerk of the Circuit Court:	
Audit Result and Comment:	
Internal Controls.....	14
Exit Conference	15

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Janet Chadwell	01-01-16 to 12-31-20
County Treasurer	Mary Vail (Vacant) Brenda Dwenger	01-01-16 to 07-28-17 07-29-17 to 07-30-17 07-31-17 to 12-31-20
Clerk of the Circuit Court	Adina A. Roberts	01-01-15 to 12-31-18
County Sheriff	Gregory D. Allen	01-01-15 to 12-31-18
County Recorder	Denise Zeigler	01-01-15 to 12-31-18
President of the Board of County Commissioners	John Richards Richard Nobbe	01-01-16 to 12-31-16 01-01-17 to 12-31-18
President of the County Council	Ernest J. Gauck	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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF DECATUR COUNTY, INDIANA

This report is supplemental to our audit report of Decatur 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

December 18, 2018

(This page intentionally left blank.)

COUNTY AUDITOR
DECATUR COUNTY

COUNTY AUDITOR
 DECATUR COUNTY
 AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

This is a repeat comment from the immediate prior Reports B46551 and B48989.

The financial statement included the following funds with overdrawn cash balances at December 31, 2016.

Fund	Amount Overdrawn
Guardian Ad Lim Court	\$ 42
Special Non-Revert Health Ins	1,163,480
Payroll	11,548
Community Service	15,408
93.069 Public Health Prep	14,897
EMPG Competitive	11,024
2014 District Sustainment	1,291
2014 District Training	645
2015 SHSP District 9 Equipment	2,624
2015 EMPG Competitive	3,849
2015 Foundation Grant - AED	3,000

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)

RECONCILEMENT BETWEEN COUNTY TREASURER AND COUNTY AUDITOR

This is a repeat comment from prior Reports B46351 and B48989, entitled *RECONCILIATION OF LEDGERS*.

As of December 31, 2016, the amount posted to the County Treasurer's Daily Balance of Cash and Depositories was \$41,611 more than reported on the County Auditor's Fund Ledger.

At the close of each calendar month a Monthly Financial Statement, County Form No. 61, shall be prepared, showing the financial transactions for the month and year to date, for each fund and in total. The County Treasurer is also required to independently prepare a Monthly Financial Statement on the same form and the two statements must be reconciled. If any differences exist between the records of the auditor and the treasurer, they must be identified and immediate steps taken to bring the records of the two offices into agreement.

The statements are prescribed to be placed in a post-binder and shall be carefully preserved as a permanent record. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

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 amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR
DECATUR COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2018, with Janet Chadwell, County Auditor; Richard Nobbe, President of the Board of County Commissioners; and Ernest J. Gauck, President of the County Council.

(This page intentionally left blank.)

COUNTY TREASURER
DECATUR COUNTY

COUNTY TREASURER
DECATUR COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

The County Treasurer had not separated incompatible activities related to the receipt process. There was no documented oversight, review, or approval process over the receipting, depositing, and posting of receipts.

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. . . ."

RECONCILEMENT BETWEEN COUNTY TREASURER AND COUNTY AUDITOR

This is a repeat comment from prior Reports B46351 and B48989, entitled *RECONCILIATION OF LEDGERS*.

As of December 31, 2016, the amount posted to the County Treasurer's Daily Balance of Cash and Depositories was \$41,611 more than reported on the County Auditor's Fund Ledger.

COUNTY TREASURER
DECATUR COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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 ledger 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 should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the amount needed to balance the fund may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

INTERNAL CONTROLS OVER CASH AND INVESTMENTS

The County Treasurer had not separated incompatible activities related to cash and investments. The Deputy County Treasurer performs the bank reconciliation; however, there is no documented review or approval of the completed bank reconciliation. The lack of internal controls resulted in an unidentified cash long of \$25, 803 on the bank reconciliation.

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 TREASURER
DECATUR COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2018, with Brenda Dwenger, County Treasurer; Richard Nobbe, President of the Board of County Commissioners; and Ernest J. Gauck, President of the County Council.

CLERK OF THE CIRCUIT COURT
DECATUR COUNTY

CLERK OF THE CIRCUIT COURT
DECATUR COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONROLS

The Clerk of the Circuit Court had not separated incompatible activities related to receipts and disbursements. No documentation was provided to show a segregation of duties for receipting, posting, and depositing receipts. In addition, there was no segregation of duties for preparing, issuing, and posting disbursements. There was no documented oversight, review, or approval process over these transaction classes.

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. . . ."

CLERK OF THE CIRCUIT COURT
DECATUR COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2018, with Adina Roberts, Clerk of the Circuit Court; Richard Nobbe, President of the Board of County Commissioners; and Ernest J. Gauck, President of the County Council.