

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

DEKALB COUNTY, INDIANA

January 1, 2016 to December 31, 2017



FILED
02/13/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
County Auditor:	
Audit Result and Comment:	
Drainage Funds - Condition of Records.....	6
Exit Conference	7
County Sheriff:	
Audit Result and Comment:	
Internal Controls over Cash and Investments.....	10
Exit Conference	11
County Probation Department:	
Audit Result and Comment:	
Internal Controls over Cash and Investments.....	14
Exit Conference	15
County Home:	
Audit Results and Comments:	
Internal Controls over Financial Transactions and Reporting.....	18-19
Public Records Retention	19
Optical Imaged Checks	19-20
Exit Conference	21

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Jan Bauman	01-01-15 to 12-31-22
County Treasurer	Holly Albright Sandra Wilcox	01-01-13 to 12-31-16 01-01-17 to 12-31-20
Clerk of the Circuit Court	Martha Grimm Holly Albright	01-01-13 to 12-31-16 01-01-17 to 12-31-20
County Sheriff	Donald Lauer David G. Cserep	01-01-15 to 12-31-18 01-01-19 to 12-31-22
County Recorder	Katie Firestone	01-01-13 to 12-31-20
President of the Board of County Commissioners	Donald D. Grogg	01-01-16 to 12-31-19
President of the County Council	Alan Middleton Richard Ring (interim) Richard Ring	01-01-16 to 06-03-18 06-04-18 to 12-31-18 01-01-19 to 12-31-19
Chief Probation Officer	Katherine Cullum Mark Pomeroy (co-interim) Ryan Hull (co-interim) Michael Lapham	01-01-16 to 04-11-18 04-12-18 to 06-21-18 04-12-18 to 06-21-18 06-22-18 to 12-31-19
County Home Director	Kim Pierson Don Pierson	01-01-16 to 04-30-17 05-01-17 to 12-31-19



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 DEKALB COUNTY, INDIANA

This report is supplemental to our audit report of DeKalb County (County), for the period from January 1, 2016 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

February 7, 2019

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COUNTY AUDITOR
DEKALB COUNTY

COUNTY AUDITOR
DEKALB COUNTY
AUDIT RESULT AND COMMENT

DRAINAGE FUNDS - CONDITION OF RECORDS

A similar comment appeared in prior Report B47664.

Financial records of the Drainage Maintenance funds were incomplete for the years 2016 and 2017. Subsidiary ledgers did not agree to the control account for Drainage Maintenance, resulting in an understatement of \$178,110 in both years. The subsidiary ledger has not agreed with the control account since 2013. This was due to the County not properly recording all receipts to and disbursements from the individual drain subsidiaries. In 2017, the County created the "Unaccounted Drain Maintenance" drain in the balance of \$178,110 in place of reconciling the individual subsidiaries.

This form has been prescribed to provide a record, by drains, of maintenance funds collected and expended in the maintenance of drains and the repayment to the General Drain Improvement Fund of money disbursed from the General Drain Improvement Fund for maintenance. A separate sheet is to be kept for each drain on which an assessment for annual maintenance has been made. Also, a separate sheet is to be kept for each drain on which expense for maintenance that has been paid from the General Drain Improvement Fund, this being for the purpose of showing the sum the maintenance fund for each drain owes the General Drain Improvement Fund. Although all receipts to and disbursements from the Maintenance Funds will be posted to the fund ledger sheet kept for that purpose in the General Ledger, it is required that a control also be kept on a subsidiary ledger sheet (Form 63CM). . . .

Every receipt and every disbursement posted to Drainage Maintenance fund in the general ledger must be posted to an appropriation account in the Subsidiary Ledger and to the control kept on the same form. (Accounting and Uniform Compliance Guidelines Manual for Public Drainage Funds, 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, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Public Drainage Funds, Chapter 1)

COUNTY AUDITOR
DEKALB COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 7, 2019, with Jan Bauman, County Auditor; Donald D. Grogg, President of the Board of County Commissioners; Richard Ring, President of the County Council; and Susan Sleeper, First Deputy County Auditor.

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COUNTY SHERIFF
DEKALB COUNTY

COUNTY SHERIFF
DEKALB COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER CASH AND INVESTMENTS

The County Sheriff had not separated incompatible activities related to cash and investments. One employee was responsible for preparing bank reconciliations of the Inmate Trust and Commissary accounts to their respective ledgers without a documented oversight, review or approval process, or other compensating control in place to ensure accuracy. In addition, the bank reconciliations prepared for December 2016 and 2017, were not prepared as of December 31, which resulted in outstanding checks and deposits in transit being incorrect.

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. . . ."

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."

COUNTY SHERIFF
DEKALB COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 7, 2019, with David G. Cserep, County Sheriff; Michelle L. Cserep, Matron; and Teca Slone, Bookkeeper.

The contents of this report were discussed on February 7, 2019, with Donald D. Grogg, President of the Board of County Commissioners, and Richard Ring, President of the County Council.

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COUNTY PROBATION DEPARTMENT
DEKALB COUNTY

COUNTY PROBATION DEPARTMENT
DEKALB COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER CASH AND INVESTMENTS

The County Probation Department had not separated incompatible activities related to cash and investments. One employee was responsible for bank reconciliations of the Restitution fund to the Probation ledger without a documented oversight, review or approval process, or other compensating control in place to ensure accuracy. The Probation Department did not properly reconcile the bank account to the Restitution fund during the audit period.

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. . . ."

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."

COUNTY PROBATION DEPARTMENT
DEKALB COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 7, 2019, with Michael Lapham, Chief Probation Officer; Marlene Morr, Bookkeeper; and Jennifer Chaffee, Administrative Assistant.

The contents of this report were discussed on February 7, 2019, with Donald D. Grogg, President of the Board of County Commissioners, and Richard Ring, President of the County Council.

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COUNTY HOME
DEKALB COUNTY

COUNTY HOME
DEKALB COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

The County Home Director had not separated incompatible activities related to receipts, disbursements, and cash and investments. No documentation was provided to show a segregation of duties for receipting, posting, and depositing receipts. There was no segregation of duties for preparing, issuing, and posting disbursements. In addition, there was no documented review of the completed bank reconciliations. There was no documented oversight, review, or approval process over the above areas.

The County Home uses Quicken Software to account for the Residents' Trust funds. This accounting software's design can allow changes to a transaction file to occur without showing evidence of the transaction changes. A good design will not allow changes to a transaction file to occur unless done through an application that tracks changes. In addition, reports provided were not the ledgers prescribed by the Indiana State Board of Accounts.

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. . . ."

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."

A detailed transaction history (similar to a manually posted ledger page) must be maintained supporting each account. At least the last twelve months of transactions must be accessible on-line. Additional transactional history must be retained back to the date of the last audit. This additional history must be retained on-line or otherwise achieved and easily accessible by the State Board of Accounts Field Examiners. Records should also be retained in compliance with the appropriate retention schedule as approved by the Indiana Commission on Public Records.

Public records, financial statement information, and supporting information generated through the computer system must be maintained in a manner that will allow access for audit and public inquiry. Acceptable mechanisms include hardcopy, on equipment proved by the governmental unit, or via the Internet.

COUNTY HOME
DEKALB COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

The accounting application should provide extensive data editing, validation, and change capability upon input and before a transaction is posted to an account, but no ability to change data after it is posted. If an error is discovered after the transaction is posted, a separate correcting transaction must be made in the accounting period that it is discovered. (Accounting and Uniform Compliance Guidelines Manual for Indiana Political Subdivisions - Information Technology)

PUBLIC RECORDS RETENTION

The County Home Ledger and Bank Reconcilements for 2016 were not presented for examination.

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."

OPTICAL IMAGED CHECKS

The County Home Bank Statements and online login portal did not include optical images of the checks written.

The Indiana State Board of Accounts is of the audit position both sides of a check are part of the original record. Therefore, both sides of an "optical imaged check" should be available for public inspection and audit. The optical imaged checks should be produced or at least be retrievable. Encoding, printing, and bank certification should exist to ascertain that the back side of a check is part of a particular check, i.e. endorsements should belong to the front side of a check presented.

Indiana Code 5-15-5.1-10(a) states in part:

"Each . . . local government shall:

- (1) Make and preserve records containing adequate and proper documentation of . . . essential transactions of the . . . local government to protect the legal and financial rights of the government . . ."

An optical image copy of a check would be treated as an original as long as the foregoing was followed.

Furthermore, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

COUNTY HOME
DEKALB COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

(1) accurately reflects the information set in the record after it was first generated in its final form as an electronic record or otherwise; and

(2) remains accessible for later reference. . . .

(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a). . . ."

[Emphasis added] (The County Bulletin And Uniform Compliance Guidelines, March 2018)

COUNTY HOME
DEKALB COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 7, 2019, with Don Pierson, County Home Director.

The contents of this report were discussed on February 7, 2019, with Donald D. Grogg, President of the Board of County Commissioners, and Richard Ring, President of the County Council.