

B53089

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

POSEY COUNTY, INDIANA

January 1, 2018 to December 31, 2018



FILED
07/30/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Sarah Beth Meighen	01-25-16 to 12-31-22
County Treasurer	Vicki J. Peerman	01-01-17 to 12-31-20
Clerk of the Circuit Court	Betty B. Postlethweight Kay Kilgore	01-01-15 to 12-31-18 01-01-19 to 12-31-22
County Sheriff	Gregory R. Oeth Thomas E. Latham Jr.	01-01-15 to 12-31-18 01-01-19 to 12-31-22
County Recorder	Mary Rhoades	01-01-15 to 12-31-22
President of the Board of County Commissioners	James Alsop Carl A. Schmitz	01-01-18 to 12-31-18 01-01-19 to 12-31-19
President of the County Council	Heather Allyn	01-01-18 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF POSEY COUNTY, INDIANA

This report is supplemental to our audit report of Posey County (County), for the period from January 1, 2018 to December 31, 2018. 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

June 12, 2019

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COUNTY AUDITOR
POSEY COUNTY

COUNTY AUDITOR
POSEY COUNTY
AUDIT RESULTS AND COMMENTS

ERRORS ON CLAIMS

Of the 56 vendor claims tested for compliance, 8 of the claims were included on an Accounts Payable Voucher that was missing the approval by the County Auditor (fiscal officer). The 8 claims paid without approval of the fiscal officer totaled \$120,984.

Of the 56 vendor claims tested for compliance, 8 of the claims were not included on the Register of Claims used to document approval of the Board of County Commissioners (legislative body). The 8 claims paid without the legislative body's approval totaled \$5,295,060.

Of the 10 payroll claims tested for compliance, none of the 10 were included on the Register of Claims used to document approval by the fiscal officer. The 10 payroll claims paid without approval of the fiscal officer totaled \$9,704.

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

APPROPRIATIONS

The same comment also appeared in prior Reports B47067 and B50983.

The records presented for audit indicated the following expenditures in excess of budgeted appropriations for the year 2018.

COUNTY AUDITOR
POSEY COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Fund	Excess Amount Expended
General	\$ 2,939,971
Motor Vehicle Highway	305,321
Local Road and Street	19,251
Cumulative Bridge	185,929
Cumulative Capital Development	358,682
CEDIT County Share	3,198,324

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

INTERNAL CONTROLS

A similar comment also appeared in prior Report B47067, entitled *ANNUAL FINANCIAL REPORT*, and Report B50983, entitled *FINANCIAL TRANSACTIONS AND REPORTING*.

The County had established internal controls over financial transactions and reporting; however, the controls were not effective. The established controls did not prevent, or detect and correct, errors with reporting the financial information to the Indiana Gateway for Government Units financial reporting system, which is used to generate the Annual Financial Report and financial statement.

The County Auditor did not report the Inmate Commissary and the Inmate Trust funds. As a result, the related receipts, disbursements, and beginning and ending cash and investment balances for December 31, 2018, were not reported. In addition, the amounts related to the Child Support ONB and Odyssey ONB funds were not reported correctly. This resulted in beginning cash and investment balances, receipts, disbursements, and ending cash and investment balances being understated \$52,319, \$359,933, \$359,064, and \$53,188, respectively.

In addition, investments were not included in the beginning or ending cash and investment balances, but purchases and sales of some investments were included, resulting in beginning cash and investment balances being understated by \$347,579, disbursements being overstated by \$590,277, and ending cash and investment balances being understated by \$937,859.

In total, the financial statements were under (over) stated for beginning cash and investment balances, receipts, disbursements, and ending cash and investment balances by \$399,898, \$359,933, (\$231,213), and \$991,044, respectively. Audit adjustments were proposed, accepted by the County, and made to the financial statement.

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
POSEY COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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 County Bulletin and Uniform Compliance Guidelines, January 2014)

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. . . ."

CAPITAL ASSETS

The County's capital asset records consisted of insurance appraisals based upon replacement cost and not historical cost. The County did not maintain a detail listing of all capital assets owned which reflects their acquisition value.

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR
POSEY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 12, 2019, with Sarah Beth Meighen, County Auditor; Carl A. Schmitz, President of the Board of County Commissioners; Heather Allyn, President of the County Council; and Joseph H. Harrison, Jr., Attorney for the Board of County Commissioners.

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COUNTY SHERIFF
POSEY COUNTY

COUNTY SHERIFF
POSEY COUNTY
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

The same comment also appeared in prior Reports B47067 and B50983.

Depository reconciliations were not being performed. Sufficient records were not available to determine what the correct balance of the ledger should have been because the receipts and disbursements of the Inmate Commissary fund and Inmate Trust fund were commingled until September 2018 when the funds were separated.

The County Sheriff did not perform any reconciliation between the individual inmate's account balances and the total of the Inmate Trust fund. As of December 31, 2018, the individual inmate's account balances totaled \$3,175 while the Inmate Trust bank balance was \$4,410, creating an unexplained difference of \$1,235.

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 Counties of Indiana, Chapter 1)

SUPPLEMENTAL ANNUAL REPORT

The same comment appeared in the prior Report B50983.

The County Sheriff submitted the Supplemental County Annual Report (CAR-1) to the County Auditor on March 1, 2019, which was after the Annual Financial Report (AFR) was required to be submitted to the Indiana Gateway for Government Units financial reporting system. The County Sheriff did not accurately complete the CAR-1 for the Inmate Commissary fund and the Inmate Trust fund.

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 SHERIFF
POSEY COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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 County Bulletin and Uniform Compliance Guidelines, January 2014)

INTERNAL CONTROLS

A similar comment also appeared in prior Report B47067, entitled *CONDITION OF RECORDS*, and B50983, entitled *INTERNAL CONTROLS*.

The County Sheriff had no internal control system in place related to financial transactions and reporting of the Inmate Commissary fund and Inmate Trust fund. Internal control procedures were not in place to ensure that financial records of the receipts, disbursements, and balances of the Inmate Commissary fund and Inmate Trust fund were maintained and reported in the County's AFR and 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:

"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 SHERIFF
POSEY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 12, 2019, with Thomas E. Latham, Jr., County Sheriff; Crystal G. Collins, County Sheriff Matron; Sarah Beth Meighen, County Auditor; Carl A. Schmitz, President of the Board of County Commissioners; Heather Allyn, President of the County Council; and Joseph H. Harrison, Jr., Attorney for the Board of County Commissioners.

BOARD OF COUNTY COMMISSIONERS
POSEY COUNTY

BOARD OF COUNTY COMMISSIONERS
POSEY COUNTY
AUDIT RESULT AND COMMENT

ERRORS ON CLAIMS

Of the 56 vendor claims tested for compliance, 8 of the claims were not included on the Register of Claims used to document approval of the Board of County Commissioners (legislative body). The 8 claims paid without the legislative body's approval totaled \$5,295,060.

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

BOARD OF COUNTY COMMISSIONERS
POSEY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 12, 2019, with Sarah Beth Meighen, County Auditor; Carl A. Schmitz, President of the Board of County Commissioners; Heather Allyn, President of the County Council; and Joseph H. Harrison, Jr., Attorney for the Board of County Commissioners.