

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SPENCER COUNTY, INDIANA

January 1, 2016 to December 31, 2018



**FILED**  
08/15/2019



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
County Sheriff:	
Audit Results and Comments:	
Outside Bank Accounts .....	6
Internal Controls/Condition of Records - County Sheriff Cash Book .....	6
Internal Controls/Inmate Trust Records .....	7-8
Exit Conference .....	9

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Autumn Winkler Heidi Greene	01-01-15 to 03-18-19 03-19-19 to 12-31-22
County Treasurer	Susan Harris	01-01-13 to 12-31-20
Clerk of the Circuit Court	Gay Ann Harney Sara Arnold	01-01-13 to 12-31-15 01-01-16 to 12-31-20
County Sheriff	James E. McDurmon Kelli Reinke	01-01-15 to 12-31-18 01-01-19 to 12-31-22
County Recorder	Sharon Dugas Vicki Brauns	01-01-13 to 12-31-16 01-01-17 to 12-31-20
President of the Board of County Commissioners	Thomas A. Logsdon James Seiler	01-01-16 to 12-31-16 01-01-17 to 12-31-19
President of the County Council	William J. Spaetti Blake Bunner	01-01-16 to 12-31-16 01-01-17 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](http://www.in.gov/sboa)

TO: THE OFFICIALS OF SPENCER COUNTY, INDIANA

This report is supplemental to our audit report of Spencer County (County), for the period from January 1, 2016 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 Statements Audit Report of the County, which provides our opinions on the County's financial statements. This report may be found at [www.in.gov/sboa](http://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

July 1, 2019

(This page intentionally left blank.)

COUNTY SHERIFF  
SPENCER COUNTY

COUNTY SHERIFF  
SPENCER COUNTY  
AUDIT RESULTS AND COMMENTS

**OUTSIDE BANK ACCOUNTS**

The County Sheriff's Department is holding money for drug education, accident reports, and K-9 donations in bank accounts separate from the County. The drug education and K-9 funds were not properly remitted to the County Treasurer for deposit, nor disbursed on warrants issued and attested by the County Auditor. The accident report funds should be recorded in the Sheriff's Cash Book and bank account. No ledgers were maintained to account for these transactions.

Indiana Code 36-2-10-9 states: "The treasurer shall receive money to which the county is entitled and shall disburse it on warrants issued and attested by the county auditor."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

**INTERNAL CONTROLS/CONDITION OF RECORDS - COUNTY SHERIFF CASH BOOK**

There were multiple errors on the reconciliation of the Sheriff's Cash Book to the bank account, which included deposits and checks not being recorded into the Cash Book, check amounts that cleared the bank were different from what was recorded, and outstanding checks and deposits in transit were incorrect. These errors resulted in an unreconciled difference between the bank balance and the Sheriff's Cash Book for all three years of the audit period. The unreconciled difference as of December 31, 2018, was \$9,307.

Adequate internal controls were not in place to detect errors made on the bank reconciliation and the postings of receipts and checks to the Sheriff's Cash Book. There was no evidence of an oversight or review process to ensure accurate bank reconciliations and Cash Book postings were performed.

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)

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  
SPENCER COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**INTERNAL CONTROLS/INMATE TRUST RECORDS**

A similar comment also appeared in prior Report B47592, entitled *INMATE TRUST RECORDS*.

The County Sheriff maintained individual inmate records and a control ledger for the inmate trust funds. The individual inmate records were kept as subsidiary detail records to the inmate trust control ledger, the total of all subsidiary records did not agree with the control ledger. At December 31, 2018, the total of the subsidiary inmate records was \$6,311 less than the balance of the Spencer Co. Inmate Trust fund control ledger.

Inmate commissary purchases were being deducted from the individual inmate record balances, but the total purchase amounts were not being recorded as a disbursement to the Spencer Co. Inmate Trust fund control ledger or as a receipt to the Spencer County Jail Commissary fund on a timely basis.

In addition, the inmate trust fund bank balance did not reconcile with the Spencer Co. Inmate Trust fund control ledger. As of December 31, 2018, the bank balance was \$2,474 less than the control ledger balance.

Adequate internal controls were not in place. There was no evidence of an oversight or review process to ensure accurate bank reconciliements were performed and inmate trust and commissary transactions were posted accurately and timely.

Indiana Code 36-8-10-22 states in part:

- "(a) This section applies to any county that operates a county jail.
- (b) The sheriff shall hold in trust separately for each inmate any money received from that inmate or from another person on behalf of that inmate.
- (c) If the inmate or his legal guardian requests a disbursement from the inmate's trust fund, the sheriff may make a disbursement for the personal benefit of the inmate, including but not limited to a disbursement to the county jail commissary. . . .
- (f) The sheriff shall maintain a record of each trust fund's receipts and disbursements. The State Board of Accounts shall prescribe the form for this record."

In order to comply with these provisions, the sheriff may post the receipts and disbursements through the Sheriff's Cash Book, through the trust column. County Form No. 133 for receipts and County Form No. 141 for disbursements would be used and General Form No. 358 for each individual inmate trust fund. An alternate method would be to use General Form No. 358, Ledger of Receipts, Disbursements and Balances as a control and also for each individual inmate trust fund. The balances from the total individual ledger must be equivalent to the control ledger on any given date. (The County Bulletin and Uniform Compliance Guidelines, April 2011)

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 Counties of Indiana, Chapter 1)

COUNTY SHERIFF  
SPENCER COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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  
SPENCER COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on July 1, 2019, with Heidi Greene, County Auditor; James Seiler, President of the Board of County Commissioners; Thomas Brown, County Commissioner; Aaron P. Benton, County Council member; Kelli Reinke, County Sheriff; James E. McDurmon, former County Sheriff; and Ron Higginbottom, Chief Deputy Sheriff.