

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SCOTT COUNTY, INDIANA

January 1, 2018 to December 31, 2018



**FILED**

09/11/2019



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
County Auditor:	
Federal Findings:	
Finding 2018-001	
Preparation of the Schedule of Expenditures of Federal Awards .....	6-8
Finding 2018-002	
Financial Transactions and Reporting .....	8-9
Corrective Action Plan .....	10-11
Audit Result and Comment:	
Certification on Internal Control Standards .....	12
Exit Conference .....	13
County Treasurer:	
Federal Finding:	
Finding 2018-003	
Financial Transactions and Reporting .....	16-18
Corrective Action Plan .....	19
Exit Conference .....	20
County Sheriff:	
Federal Finding:	
Finding 2018-004	
Financial Transactions and Reporting .....	22-23
Corrective Action Plan .....	24
Exit Conference .....	25
Clerk of the Circuit Court:	
Federal Finding:	
Finding 2018-005	
Financial Transactions and Reporting .....	28-29
Corrective Action Plan .....	30
Exit Conference .....	31
Board of County Commissioners:	
Audit Result and Comment:	
Training on Internal Controls Standards .....	34
Exit Conference .....	35
County Health Department:	
Federal Finding:	
Finding 2018-006	
HIV Care Formula Grants - Internal Controls .....	38-39
Corrective Action Plan .....	40
Exit Conference .....	41

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Tammy Stout Johnson	01-01-15 to 12-31-22
County Treasurer	Sheryl Jent	01-01-17 to 12-31-20
Clerk of the Circuit Court	Missy Applegate	01-01-17 to 12-31-20
County Sheriff	Joseph Daniel McClain (Vacant) Kenneth D. Highbanks Jerry Goodin	01-01-15 to 03-29-18 03-30-18 to 04-11-18 04-12-18 to 12-31-18 01-01-19 to 12-31-22
County Recorder	Annalee Turley (Vacant) Marilyn S. Kundysek	01-01-17 to 03-09-18 03-10-18 to 03-29-18 03-30-18 to 12-31-20
President of the Board of County Commissioners	Robert Tobias	01-01-18 to 12-31-19
President of the County Council	Mike Zollman	01-01-18 to 12-31-19



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF SCOTT COUNTY, INDIANA

This report is supplemental to our audit report of Scott 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 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 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 Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

August 21, 2019

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COUNTY AUDITOR  
SCOTT COUNTY

SCOTT COUNTY  
COUNTY AUDITOR  
FEDERAL FINDINGS

**FINDING 2018-001**

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness, Noncompliance

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-001.

*Condition and Context*

The County did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The SEFA contained the following errors:

1. The total on the SEFA was incorrect, resulting in a net understatement of \$77,273.
  - A. Three grants were reported incorrectly, resulting in an overstatement of \$22,457.
  - B. Seven grants were reported incorrectly, resulting in an understatement of \$99,730.
2. There were several errors noted in reporting the correct Awarding Agency, Program Title, Project Title, Pass-Through Entity, and CFDA numbers.

During the audit of the SEFA, we noted the errors as outlined above. Audit adjustments were proposed, accepted by the County, and made to the SEFA.

*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:

"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. . . .

SCOTT COUNTY  
COUNTY AUDITOR  
FEDERAL FINDINGS  
(Continued)

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities. . . .

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

2 CFR 200.508 states in part:

"The auditee must: . . .

- (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

*"Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within a cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

*Cause*

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

SCOTT COUNTY  
COUNTY AUDITOR  
FEDERAL FINDINGS  
(Continued)

*Effect*

Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition and Context*.

*Recommendation*

We recommended that the County's management establish a system of internal controls related to the preparation of the SEFA.

*Views of Responsible Officials*

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

**FINDING 2018-002**

Subject: Financial Transactions and Reporting - County Auditor  
Audit Finding: Material Weakness

*Condition and Context*

*Cash Receipts*

The County Auditor's staff wrote receipts; however, there was no documented oversight or review of the receipts and whether they were posted to the correct fund.

*Payroll*

One staff person in the County Auditor's office was responsible for almost all areas of payroll with no documented oversight or review, including:

- Not all timesheets were approved by the department head prior to submitting payroll.
- There was no documented oversight or review of the payroll system postings to the budgetary accounts. The Chief Deputy County Auditor indicated that they reviewed this information; however, there was no documentation of that review.
- There was no documented review or approval process for payroll corrections, adjustments, employee withholdings, and employer benefit payments.
- There was no documented review or analysis of the payroll withholding funds to ensure that the payments were posted properly and that the balances, if any, were correct and owed for unpaid and/or outstanding obligations.

SCOTT COUNTY  
COUNTY AUDITOR  
FEDERAL FINDINGS  
(Continued)

*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:

"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. . . .

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

*Cause*

Management of the County had not established a proper system of internal controls over financial transactions and reporting.

*Effect*

The failure to establish a system of internal controls could have enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the County at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, misstatements in a timely manner.

*Recommendation*

We recommended that the County's management establish a system of internal controls related to financial transactions and reporting.

*Views of Responsible Officials*

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



**Tammy Stout Johnson**  
**Auditor of Scott County**  
 Scott County Courthouse  
 1 East McClain Avenue, Suite 130  
 Scottsburg, IN 47170

Phone (812) 752-8408  
 Fax (812) 752-7914  
 Email:  
 tammy.johnson@scottcounty.in.gov

August 21, 2019

**CORRECTIVE ACTION PLAN**

**FINDING 2018-001**

Contact Person Responsible for Corrective Action: Tammy Stout Johnson  
 Contact Phone Number: 812-752-8408

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: To put proper controls in place, the Grant Application Policy was revised to require additional information at the time of application approval with the Commissioners and Council. Also, if awarded, responsibility will rest on the department to notify the Auditor's Office of reporting requirements, payment requests, modifications, etc. of the grants. For proper checks and balances, the department awarded the grant should review and reconcile their grant transaction register with the Auditor's financial ledger and submit a final grant report at the conclusion.

The Auditor's Office will prepare the SEFA, it will be reviewed for accuracy, and both preparer and reviewer will sign off on a paper duplicate.

Anticipated Completion Date: Grant Policy Revision and Adoption will be completed by August 21, 2019. Departments that receive grants will be notified of the changes and provided the revised application form and policy immediately by September 1, 2019. The final completion date will be by March 1, 2020 with the preparation of the SEFA and Annual Financial Report.

*Tammy Stout Johnson*  
 \_\_\_\_\_  
 (Signature)  
*Scott County Auditor*  
 \_\_\_\_\_  
 (Title)



**Tammy Stout Johnson**  
**Auditor of Scott County**  
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August 21, 2019

CORRECTIVE ACTION PLAN

**FINDING 2018-002**

Contact Person Responsible for Corrective Action: Tammy Stout Johnson  
Contact Phone Number: 812-752-8408

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: To put proper controls in place, Internal Control/Oversight procedures will be performed regarding cash receipts and payroll functions.

For Receipting, transactions will be reviewed and both the preparer and reviewer will initial the report of collections to ensure accuracy in the transaction amount and the distribution to the proper funds.

Regarding Payroll, samples of payroll time sheets/claims will be pulled each payroll and reviewed for proper approvals and then compared to paychecks for accuracy in processing. For additional oversight and internal control, the Auditor will review payroll reports, withholdings, payroll funds, and payments. All adjustments will be reviewed and will be initialed by both the person performing the adjustment and the Auditor.

Anticipated Completion Date: Internal Control procedures are under development and will be implemented for receipting and payroll by the end of September 2019.

\_\_\_\_\_  
(Signature)  
  
\_\_\_\_\_  
(Title)

COUNTY AUDITOR  
SCOTT COUNTY  
AUDIT RESULT AND COMMENT

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The County Auditor incorrectly certified that applicable County personnel had received training regarding internal control standards as part of the 2018 Annual Financial Report that was filed for 2018. However, the County failed to provide documented training for all newly hired personnel in 2018 and to verify that all personnel had been trained.

*Criteria*

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  
SCOTT COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 21, 2019, with Tammy Stout Johnson, County Auditor; Teresa Vannarsdall, Chief Deputy County Auditor; Robert Tobias, President of the Board of County Commissioners; Mike Zollman, President of the County Council; Raymond Jones, County Council member; and Rachael Harden, County Council member.

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COUNTY TREASURER  
SCOTT COUNTY

COUNTY TREASURER  
SCOTT COUNTY  
FEDERAL FINDING

***FINDING 2018-003***

Subject: Financial Transactions and Reporting - County Treasurer  
Audit Findings: Material Weakness, Noncompliance

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-003.

*Condition and Context*

There were several deficiencies in the internal control system of the County Treasurer related to financial transactions and reporting.

1. Lack of Segregation of Duties: The County Treasurer had not separated incompatible activities related to cash and investments and financial reporting. Control activities should be in place to reduce the risks of errors in financial reporting.
2. During 2018, the County Treasurer's Daily Balance of Cash and Depositories, Form 47 (Cash Book), was not being posted and balanced daily. There were no controls in place to ensure that the posting and reconciling of the Cash Book was done daily as required by statute.
3. The Cash Book was not completely reconciled to the bank statements on a monthly basis. There were no controls established to ensure that the monthly bank reconciliations were completed and accurate.

There were variances between the fund ledger maintained by the County Auditor and the Total Ledger - Cash listed on the Cash Book.

As of December 31, 2018, the total cash and investments per the Cash Book indicated cash necessary to balance of \$73,268.

*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:

"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. . . .

COUNTY TREASURER  
SCOTT COUNTY  
FEDERAL FINDING  
(Continued)

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 5-13-5-1(a) states:

"Every public officer who receives or distributes public funds shall:

- (1) keep a cashbook into which the public officer shall enter daily, by item, all receipts of public funds; and
- (2) balance the cashbook daily to show funds on hand at the close of each day."

The Treasurer's Daily Balance of Cash and Depositories, Form 47, is the record prescribed to enable the treasurer to comply with IC 5-13-5-1. It reflects the daily receipts and disbursements, total amount of cash and investments on hand, and a proof of the financial condition of the office at the close of each day. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 3)

The record is designed to be posted "daily," with a separate page for each day. The left side of the page shows the total amount of money for which the treasurer is accountable (charges) and the right side of the page shows the money on deposit, invested or on hand (credits), as proof of the financial condition. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 3)

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 County Treasurers of Indiana, Chapter 1)

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 controls over cash and investments and financial reporting to ensure correct financial transactions and reporting.

*Effect*

The failure to establish a system of internal controls enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the County at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, misstatements in a timely manner.

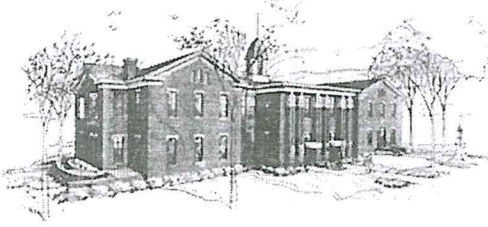
COUNTY TREASURER  
SCOTT COUNTY  
FEDERAL FINDING  
(Continued)

*Recommendation*

We recommended that the County's management establish a system of internal controls related to financial transactions and reporting.

*Views of Responsible Officials*

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



*Sheryl Jent*

SCOTT COUNTY TREASURER

1 East McClain Avenue, Suite 140  
Scottsburg, Indiana 47170  
(812) 752-8414

CORRECTIVE ACTION PLAN

**FINDING 2018-003**

Contact Person Responsible for Corrective Action: **Sheryl Jent**  
Contact Phone Number: **812.752.8414**

Views of responsible Official: ***We concur with the finding.***

Description of Corrective Action Plan:

1. To reduce risks of error in financial reporting an excel spreadsheet was created to enter figures from Cash Book vs. Financial reports to keep in balance with the Auditor. The Auditor's office and Treasurer's office do a better job of sharing sufficient documentation. Krissi prepares and initials then passes paperwork along to myself to initial and confirm. Internal control of deposits is done by our 2<sup>nd</sup> deputy, Cristy Burns. She prepares daily tax reports and initials to confirm reports matches tax collection bank deposits. I review following morning and initial as well.
2. I, Sheryl Jent, balance with the Auditor on a daily basis. Krissi prepares Quietus' and prints daily reports to ensure we stay on track with balancing. I again review the following day to double check the numbers remain the same. The daily paperwork is entered to the Cash Book. Financial reports are created daily to insure funds balance.
3. I, Sheryl Jent, reconcile the banks while Krissi Johnson reconciles Cash Book on a monthly basis. Internal controls with the excel spreadsheet assists us on balancing. I balance funds daily with the Auditor. If the Cash book is off then we conclude there is missing paperwork or something was back dated. The Auditor's office now brings paperwork immediately following being created which helps our balancing as well.

Anticipated Completion Date: ***The correction action plan has been taken immediately.***

**Scott County Treasurer**

**8/19/19**

COUNTY TREASURER  
SCOTT COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 21, 2019, with Sheryl Jent, County Treasurer; Tammy Stout Johnson, County Auditor; Teresa Vannarsdall, Chief Deputy County Auditor; Robert Tobias, President of the Board of County Commissioners; Mike Zollman, President of the County Council; Raymond Jones, County Council member; and Rachael Harden, County Council member.

COUNTY SHERIFF  
SCOTT COUNTY

COUNTY SHERIFF  
SCOTT COUNTY  
FEDERAL FINDING

***FINDING 2018-004***

Subject: Financial Transactions and Reporting - County Sheriff  
Audit Finding: Material Weakness

*Condition and Context*

There were several deficiencies in the internal control system of the County Sheriff's Department related to financial transactions and reporting.

1. Lack of Segregation of Duties: Commissary

The County Sheriff's Department had not separated incompatible activities related to the financial transactions of the Commissary. One employee was responsible for reconciling daily cash collections, preparing and making the bank deposits, recording receipts and disbursements in the financial records, and performing the reconciliation of the depository account balance with the record balance. There were no controls in place, such as an oversight, review, or approval process, over the financial records or bank reconcilements.

2. Lack of Segregation of Duties: Inmate Trusts

The County Sheriff's Department had not separated incompatible activities related to financial transactions of the Inmate Trust accounts. One employee was responsible for reconciling daily cash collections, recording receipts and disbursements in the financial records, and performing the reconciliation of the depository account balance with the record balance. There were no controls in place, such as an oversight, review, or approval process, over the financial records or bank reconcilements.

*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 SHERIFF  
SCOTT 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.

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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. . . ."

*Cause*

Management of the County had not established a proper system of internal control.

*Effect*

The failure to establish a system of internal controls could have enabled misstatements or irregularities to remain undetected.

*Recommendation*

We recommended that the County's management establish a system of internal controls related to financial transactions and reporting.

*Views of Responsible Officials*

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

# SCOTT COUNTY SHERIFF

**JERRY D. GOODIN**

111 South First Street  
Scottsburg, Indiana 47170  
Phone: 812-752-8400 ❖ Toll Free: 1-877-8400 ❖ Fax: 812-752-5751  
Tip Line: 812-752-7898

August 20, 2019

## CORRECTIVE ACTION PLAN

### FINDING 2018-004

Views of Responsible Official: We concur with the finding.

#### Commissary

Contact Person Responsible for Corrective Action: Laura Boswell  
Contact Phone Number: 812-722-0865

Description of Corrective Action Plan: To put proper Internal Control procedures in place by including a reviewer of deposits and supervisory written approval of payments. Preparer will receipt deposits and reviewer will verify monies received to the deposit receipts and create bank deposit. Invoices will be approved and initialed before payments are made. Account reconciliations will be created by preparer and approved and monitored by reviewer. Account ledger and reconciliation will be validated and initialed by reviewer and copies given to Sheriff.

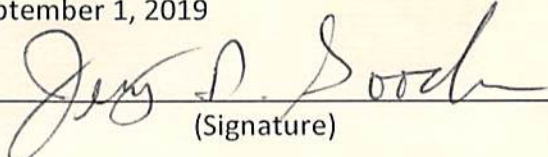
#### In-Mate Trusts


Contact Person Responsible for Corrective Action: Patricia Combs  
Contact Phone Number: 812-752-8400

Description of Corrective Action Plan: To put proper Internal Control procedures in place by having supervisory written approval of all invoices before payment. Preparer will create monthly reports and reconciliations with reviewer verification and approval. There will be a segregation of duties within the inmate commissary store and a reviewer to verify the purchasing and inventory of goods purchased. Reviewer will verify that deposits and distribution reports balance to the bank statement. Vendor will be asked to provide a more detailed description of billing and commission calculations.

Anticipated Completion Date:

September 1, 2019

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title and Date)

COUNTY SHERIFF  
SCOTT COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 21, 2019, with Jerry Goodin, County Sheriff; Patricia Combs, Chief of Internal Operations; Laura Boswell, Administrative Assistant; Tammy Stout Johnson, County Auditor; Teresa Vannarsdall, Chief Deputy County Auditor; Robert Tobias, President of the Board of County Commissioners; Mike Zollman, President of the County Council; Raymond Jones, County Council member; and Rachael Harden, County Council member.

The contents of this report were discussed by phone on August 21, 2019, with Kenneth D. Highbanks, former County Sheriff.

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CLERK OF THE CIRCUIT COURT  
SCOTT COUNTY

CLERK OF THE CIRCUIT COURT  
SCOTT COUNTY  
FEDERAL FINDING

***FINDING 2018-005***

Subject: Financial Transactions and Reporting - Clerk of the Circuit Court  
Audit Findings: Material Weakness, Noncompliance

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-004.

*Condition and Context*

The Clerk of the Circuit Court's (Clerk) staff did not have adequate internal controls over the Clerk's Cash Book. During 2018, we determined that not all of the Clerk's funds due to the County were paid to the County, and some of the balances appeared to have been accumulated for several years. The bookkeepers indicated that they generated a report to determine the amount to be paid to the County each month; however, they did not review the Cash Book balances to ensure that the monthly report of collections of funds to be paid to the County was correct and included all of the amounts on hand and due to the County. On August 6, 2019, check 25330 for \$121,079 was paid to the County for all fees due the County. Of that amount, approximately \$103,970 was determined to have been on hand as of December 31, 2018.

*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:

"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.

CLERK OF THE CIRCUIT COURT  
SCOTT COUNTY  
FEDERAL FINDING  
(Continued)

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. . . ."

The clerk shall pay all fees due to the county to the treasurer at the end of each month. This must be done by the 10<sup>th</sup> day following month end. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 9)

*Cause*

Management of the Clerk of the Circuit Court had not established a proper system of internal control that would have ensured that amounts due to the County were paid correctly.

*Effect*

The failure to establish a system of internal controls enabled material misstatements or irregularities to remain undetected.

*Recommendation*

We recommended that management of the Clerk of the Circuit Court establish a proper system of internal controls and ensure that all fees due to the County be paid properly.

*Views of Responsible Officials*

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



# Missy Applegate

SCOTT COUNTY CLERK OF COURTS

1 East McClain Avenue, Suite 120  
Scottsburg, Indiana 47170  
(812) 752-8420

## **FINDING 2018-005**

Contact Person Responsible for Corrective Action: Missy Applegate  
Contact Phone Number: 812-752-8420

Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan: All monies collected are now being disbursed on a monthly basis. Our reports have been updated by Odyssey to allow all funds to pass to the county at the beginning of the subsequent month. Safeguards have been put in place to review and check all balances in all accounts upon the completion of printing the check process each month.

Anticipated Completion Date: August 6, 2019

Missy Applegate  
(Signature)

Clerk of the Circuit Court  
(Title)

August 21, 2019  
(Date)

CLERK OF THE CIRCUIT COURT  
SCOTT COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 21, 2019, with Missy Applegate, Clerk of the Circuit Court; Patricia Hall, Bookkeeper; Tammy Yocum, Bookkeeper; Tammy Stout Johnson, County Auditor; Teresa Vannarsdall, Chief Deputy County Auditor; Robert Tobias, President of the Board of County Commissioners; Mike Zollman, President of the County Council; Raymond Jones, County Council member; and Rachael Harden, County Council member.

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BOARD OF COUNTY COMMISSIONERS  
SCOTT COUNTY

BOARD OF COUNTY COMMISSIONERS  
SCOTT COUNTY  
AUDIT RESULT AND COMMENT

**TRAINING ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

There was no process in place to ensure that all personnel defined by Indiana Code 5-11-1-27(c) had received training over the internal control standards adopted by the County. Training was not being completed for all newly hired personnel, including the payroll clerk, during 2018.

*Criteria*

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

BOARD OF COUNTY COMMISSIONERS  
SCOTT COUNTY  
EXIT CONFERENCE

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COUNTY HEALTH DEPARTMENT  
SCOTT COUNTY

COUNTY HEALTH DEPARTMENT  
SCOTT COUNTY  
FEDERAL FINDING

***FINDING 2018-006***

Subject: HIV Care Formula Grants - Internal Controls

Federal Agency: Department of Health and Human Services

Federal Program: HIV Formula Care Grants

CFDA Number: 93.917

Federal Award Numbers and Years (or Other Identifying Numbers): X07HA00033, X08HA31247

Pass-Through Entity: Indiana State Department of Health

Compliance Requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Performance; Reporting

Audit Finding: Material Weakness

*Condition and Context*

An effective internal control system, which would include segregation of duties, was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Performance; and Reporting.

The County Health Department Administrator prepares and submits all the reimbursement requests and reports for the grant program without review or oversight. There was no evidence presented for audit that indicated there were internal controls over the compliance requirements of the grant program.

The lack of internal controls was a systemic issue, which occurred throughout the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal

COUNTY HEALTH DEPARTMENT  
SCOTT COUNTY  
FEDERAL FINDING  
(Continued)

award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

*Cause*

Management had not developed a system of internal controls that segregated key functions.

*Effect*

The failure to establish an effective internal control system places the County at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could also allow noncompliance with the compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the County's management establish a system of internal controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

*Views of Responsible Officials*

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



## Scott County Health Department

1296 North Gardner Street  
Scottsburg, IN 47170  
812/752-8455  
812/752-6023 FAX

825 Highway 31 North  
Austin, IN 47102  
812/794-2730  
812/794-2744 FAX

### CORRECTIVE ACTION PLAN

#### **FINDING 2018-006**

Contact Person Responsible for Corrective Action: **Michelle Matern, Health Department Administrator**  
Contact Phone Number: **812-752-8455 ext 6**

Views of Responsible Official: **The Scott County Health Department agrees with the finding and will implement adequate checks and balances to improve internal controls.**

Description of Corrective Action Plan:

**Scott County Health Department will implement new internal controls for grant reimbursements with these actions: 1) Invoice reimbursements will be "prepared by" an administrative staff member and the reimbursements will be "submitted by" the Department Administrator or a separate administrative staff. 2) A copy of the email invoice reimbursement will be sent to the Deputy Auditor to show that an invoice has been submitted timely and the amount of the invoice.**

Anticipated Completion Date:

**The corrective active plan will go into effect for the next monthly invoice submissions, July 2019 reimbursements.**

\_\_\_\_\_  
(Signature)

Scott County Health Department Administrator  
(Title)

\_\_\_\_\_  
August 8, 2019  
(Date)

COUNTY HEALTH DEPARTMENT  
SCOTT COUNTY  
EXIT CONFERENCE

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