

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

STARKE COUNTY, INDIANA

January 1, 2017 to December 31, 2018



FILED
10/17/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Katherine Chaffins Rachel Oesterreich	01-01-11 to 12-31-18 01-01-19 to 12-31-22
County Treasurer	Kasey Clark Katherine Chaffins	01-01-13 to 03-28-19 03-29-19 to 12-31-22
Clerk of the Circuit Court	Vicki L. Cooley Bernadette Manuel	01-01-15 to 12-31-18 01-01-19 to 12-31-22
County Sheriff	Bill Dulin	01-01-15 to 12-31-22
County Recorder	Lisa Minix Mandy Thomason	01-01-11 to 12-31-18 01-01-19 to 12-31-22
President of the Board of County Commissioners	Donald Binkley Charles Chesak	01-01-17 to 12-31-18 01-01-19 to 12-31-19
President of the County Council	Freddie Baker Brad Hazelton Dave Pearman	01-01-17 to 12-31-17 01-01-18 to 12-31-18 01-01-19 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF STARKE COUNTY, INDIANA

This report is supplemental to our audit report of Starke County (County), for the period from January 1, 2017 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

September 9, 2019

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COUNTY AUDITOR
STARKE COUNTY

COUNTY AUDITOR
STARKE COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

There were deficiencies in the internal controls system of the County related to financial reporting. The County did not have controls in place to ensure the accuracy of the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the financial statement. One person entered the information into Gateway without proper oversight or review. The failure to establish these controls could enable material misstatements to be undetected.

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. . . ."

ERRORS ON CLAIMS

The County did not use the Accounts Payable Voucher (APV), a prescribed form, for all disbursements. Of the 113 claims tested, APVs were not presented for 42 of the claims. Due to the lack of APVs, disbursements were not approved by the officer receiving the goods, certified by the fiscal officer, and approved by the County Commissioners, and the County could not verify that the APV agreed to supporting documentation.

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.

COUNTY AUDITOR
STARKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:there is a fully itemized invoice or bill for the claim;

- (1) 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. . . . "

Prior to submission to the board of county commissioners, all claims or vouchers must be entered in claim number order in the Accounts Payable Register, General Form No. 364 (1996). This is a loose-leaf form and contains columns to show the date each claim or voucher was filed, the claim or voucher number, the name of the claimant, the office, department or fund, the amount of the claim or voucher, the amount allowed and the warrant number. (Accounting and Uniform Compliance Guidelines Manual for of Indiana County Auditors, Chapter 8)

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The County Auditor certified in the Annual Financial Report that internal control standards were adopted and that employees were properly trained on those standards; however, the required standards were not adopted and employees were not trained.

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
STARKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 9, 2019, with Rachel Oesterreich, County Auditor; Katherine Chaffins, County Treasurer; Charles Chesak, President of the Board of County Commissioners; Kathryn J. Norem, County Commissioner; Bryan Cavender, County Commissioner; Dave Pearman, President of the County Council; Donald N. White, County Council member; and Martin R. Lucas, County Attorney.

BOARD OF COUNTY COMMISSIONERS
STARKE COUNTY

BOARD OF COUNTY COMMISSIONERS
STARKE COUNTY
AUDIT RESULT AND COMMENT

ADOPTION AND TRAINING OF INTERNAL CONTROL STANDARDS

The Board of County Commissioners did not adopt the minimum internal control standards and procedures or ensure that personnel were properly trained.

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

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

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

BOARD OF COUNTY COMMISSIONERS
STARKE COUNTY
EXIT CONFERENCE

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