

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BENTON COUNTY, INDIANA

January 1, 2017 to December 31, 2018



FILED
11/04/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Audrey Freeland	01-01-17 to 12-31-20
County Treasurer	Janet Hasser	01-01-17 to 12-31-20
Clerk of the Circuit Court	Natalie Kidd	01-01-17 to 12-31-22
County Sheriff	Donald Munson	01-01-15 to 12-31-22
President of the Board of County Commissioners	Bryan Berry Steven Cox	01-01-17 to 12-31-18 01-01-19 to 12-31-19
President of the County Council	Alan J. Adwell Robert D. Sloniger	01-01-17 to 12-31-17 01-01-18 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF BENTON COUNTY, INDIANA

This report is supplemental to our audit report of Benton 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 18, 2019

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COUNTY AUDITOR
BENTON COUNTY

COUNTY AUDITOR
BENTON COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

The same comment also appeared in prior Report B49048.

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 enabled material misstatements to be undetected.

The financial statement presented for audit contained the following errors:

1. The 2017 and 2018 financial statements omitted all the receipts and disbursement activity for the outside departments for the County Treasurer, County Sheriff, Clerk of the Circuit Court, and County Home. The receipts and disbursements for 2017 totaled \$1,223,577 and \$1,230,912, respectively. The receipts and disbursements for 2018 totaled \$1,039,078 and \$1,045,584, respectively.
2. The 2017 and 2018 financial statements omitted the 15 Emergency PERF Grant Program fund that had a January 1, 2017 cash balance of \$8,889 and receipts in 2018 of \$9,991.
3. The 2017 financial statements omitted receipts and disbursements for various funds, including the Riverboat fund, of \$53,183 and \$54,265, respectively.
4. The 2018 financial statements omitted receipts and disbursements for various funds, including the Settlement and Payroll Clearing funds, of \$15,599,146 and \$16,037,670, respectively.

Audit adjustments were proposed, accepted by the County, and made to the financial statements.

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 AUDITOR
BENTON COUNTY
AUDIT RESULTS AND COMMENTS
(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.

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 5-11-1-4(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](#)."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The County had not provided training to the employees as required, but had certified on the Gateway financial reporting system that they had.

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
BENTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 18, 2019, with Audrey Freeland, County Auditor; Mike Freeland, County Commissioner; and Amy Schellenberger, Chief Deputy County Auditor.

CLERK OF THE CIRCUIT COURT
BENTON COUNTY

CLERK OF THE CIRCUIT COURT
BENTON COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

There were deficiencies in the internal controls system of the Clerk of the Circuit Court related to cash and investments, receipts, and disbursements. One person within the office reconciled the depository balances to the records, recorded, and processed receipts and disbursements without a system of 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. . . ."

Natalie J. Kidd
CLERK OF THE BENTON CIRCUIT COURT

September 25, 2019

There were deficiencies in the internal controls system of the County Clerk of the Circuit Court related to cash and investments, receipts and disbursements. One person within the office reconciled the depository balances to the records, recorded and processed receipts and disbursements without a system of oversight it or review. The failure to establish these controls could enable material misstatements to be undetected.

Clerk Kidd's response:

Please note there is more than one person that processes and verifies reports, deposits and disbursements in our office. The issue is there was no way to prove as we had no signature or stamp that was suggested by the SBOA at the beginning of our audit. When SBOA was in our county last year they verbally warned our county Auditor and suggested to make changes to have signatures of who processes and verifies reports, deposits and disbursements. This would take care of the problem cited above. The county clerk was never notified of this warning. Clerk did not even know this was suggested. We purchased a stamp that was suggested before SBOA was even done performing the audit in our county and started using it before SBOA was back for the exit conference. It was very disrespectful the way the information was given and the process was shared. Problem already rectified.

Respectfully Submitted by:

Natalie J. Kidd
Clerk of Benton Circuit Court

CLERK OF THE CIRCUIT COURT
BENTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 18, 2019, with Natalie Kidd, Clerk of the Circuit Court, and Mike Freeland, County Commissioner.

BOARD OF COUNTY COMMISSIONERS
BENTON COUNTY

BOARD OF COUNTY COMMISSIONERS
BENTON COUNTY
AUDIT RESULT AND COMMENT

ADOPTION 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 as required under Indiana Code 5-11-1-27(g).

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
BENTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 18, 2019, with Mike Freeland, County Commissioner.