

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

DEKALB COUNTY, INDIANA

January 1, 2018 to December 31, 2018



FILED
11/04/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
County Auditor:	
Audit Results and Comments:	
Internal Controls over Financial Close and Reporting	6
Drainage Funds - Condition of Records.....	6-7
Exit Conference	8
County Sheriff:	
Audit Result and Comment:	
Internal Controls over Cash and Investments.....	10
Exit Conference	11
County Home:	
Audit Results and Comments:	
Internal Controls over Financial Transactions and Reporting.....	14-15
Condition of Records.....	15
Exit Conference	16
County Drainage Board:	
Audit Result and Comment:	
Public Works	18
Exit Conference	19

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Jan Bauman	01-01-15 to 12-31-22
County Treasurer	Sandra Wilcox	01-01-17 to 12-31-20
Clerk of the Circuit Court	Holly Albright	01-01-17 to 12-31-20
County Sheriff	Donald Lauer David G. Cserep	01-01-15 to 12-31-18 01-01-19 to 12-31-22
County Recorder	Katie Firestone	01-01-17 to 12-31-20
President of the Board of County Commissioners	Donald D. Grogg	01-01-18 to 12-31-19
President of the County Council	Alan Middleton Richard Ring (interim) Richard Ring	01-01-18 to 06-03-18 06-04-18 to 12-31-18 01-01-19 to 12-31-19
Chief Probation Officer	Katherine Cullum Mark Pomeroy (co-interim) Ryan Hull (co-interim) Michael Lapham	01-01-18 to 04-11-18 04-12-18 to 06-21-18 04-12-18 to 06-21-18 06-22-18 to 12-31-19
County Home Director	Don Pierson	01-01-18 to 12-31-19
President of the County Drainage Board	Randall J. Deetz	01-01-18 to 12-31-19
President of the Cedar Creek Drainage Board	Bruce Laub	01-01-18 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF DEKALB COUNTY, INDIANA

This report is supplemental to our audit report of DeKalb 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

September 18, 2019

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COUNTY AUDITOR
DEKALB COUNTY

COUNTY AUDITOR
DEKALB COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL CLOSE AND REPORTING

The County did not have a proper system of internal control in place over financial close and reporting to prevent, or detect and correct, errors on the financial statement. The Deputy County Auditor prepared and submitted the Annual Financial Report (AFR) into the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statements. There was no evidence of an oversight, review, or approval process to ensure that the information was accurate prior to submission.

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. . . ."

DRAINAGE FUNDS - CONDITION OF RECORDS

This is a repeat Audit Result and Comment from the immediately prior Report B52132.

COUNTY AUDITOR
DEKALB COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Financial records of the Drainage Maintenance funds were incomplete for 2018. Subsidiary ledgers did not agree to the control account for Drainage Maintenance, resulting in an understatement of \$178,110. The subsidiary ledger has not agreed with the control account since 2013. This was due to the County not properly recording all receipts to and disbursements from the individual drain subsidiary accounts. In 2017, the County created the "Unaccounted Drain Maintenance" drain subsidiary account with a balance of \$178,110 in place of reconciling the individual subsidiaries.

This form has been prescribed to provide a record, by drains, of maintenance funds collected and expended in the maintenance of drains and the repayment to the General Drain Improvement Fund of money disbursed from the General Drain Improvement Fund for maintenance. A separate sheet is to be kept for each drain on which an assessment for annual maintenance has been made. Also, a separate sheet is to be kept for each drain on which expense for maintenance that has been paid from the General Drain Improvement Fund, this being for the purpose of showing the sum the maintenance fund for each drain owes the General Drain Improvement Fund. Although all receipts to and disbursements from the maintenance funds will be posted to the fund ledger sheet kept for that purpose in the General Ledger, it is required that a control also be kept on a subsidiary ledger sheet (Form 63CM). . . .

Every receipt and every disbursement posted to Drainage Maintenance fund in the general ledger must be posted to an appropriate account in the Subsidiary Ledger and to the control kept on the same form. (Accounting and Uniform Compliance Guidelines Manual for Public Drainage Funds, Chapter 5)

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 Public Drainage Funds, Chapter 1)

COUNTY AUDITOR
DEKALB COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 18, 2019, with Jan Bauman, County Auditor; Donald D. Grogg, President of the Board of County Commissioners; Richard Ring, President of the County Council; and Susan Sleeper, First Deputy County Auditor.

COUNTY SHERIFF
DEKALB COUNTY

COUNTY SHERIFF
DEKALB COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER CASH AND INVESTMENTS

This is a repeat Audit Result and Comment from the immediately prior Report B52132.

The County Sheriff had not separated incompatible activities related to cash and investments. One employee was responsible for preparing bank reconciliations of the Cash Book, Inmate Trust, and Commissary accounts to their respective ledgers without a documented oversight, review or approval process, or other compensating control in place to ensure accuracy. In addition, the Inmate Trust and Commissary bank reconciliations prepared for December 2018 were not prepared timely, which resulted in a lack of adequate detail regarding reconciling items.

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. . . ."

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."

COUNTY SHERIFF
DEKALB COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 18, 2019, with David G. Cserep, County Sheriff; Michelle Cserep, Matron; and Teca Slone, Bookkeeper.

The contents of this report were discussed on September 18, 2019, with Donald D. Grogg, President of the Board of County Commissioners, and Richard Ring, President of the County Council.

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COUNTY HOME
DEKALB COUNTY

COUNTY HOME
DEKALB COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

This is a repeat Audit Result and Comment from the immediately prior Report B52132.

The County Home Director had not separated incompatible activities related to receipts, disbursements, and cash and investments. No documentation was provided to show a segregation of duties for receipting, posting, and depositing receipts. There was no segregation of duties for preparing, issuing, and posting disbursements. In addition, there was no documented review of the completed bank reconciliations. There was no documented oversight, review, or approval process over the above areas.

The County Home uses Quicken Software to account for the Residents' Trust funds. This accounting software's design can allow changes to a transaction file to occur without showing evidence of the transaction changes. A good design will not allow changes to a transaction file to occur unless done through an application that tracks changes. In addition, reports provided were not the ledgers prescribed by the Indiana State Board of Accounts.

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.

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COUNTY HOME
DEKALB COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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."

A detailed transaction history (similar to a manually posted ledger page) must be maintained supporting each account. At least the last twelve months of transactions must be accessible on-line. Additional transactional history must be retained back to the date of the last audit. This additional history must be retained on-line or otherwise achieved and easily accessible by the State Board of Accounts Field Examiners. Records should also be retained in compliance with the appropriate retention schedule as approved by the Indiana Commission on Public Records.

Public records, financial statement information, and supporting information generated through the computer system must be maintained in a manner that will allow access for audit and public inquiry. Acceptable mechanisms include hardcopy, on equipment proved by the governmental unit, or via the Internet.

The accounting application should provide extensive data editing, validation, and change capability upon input and before a transaction is posted to an account, but no ability to change data after it is posted. If an error is discovered after the transaction is posted, a separate correcting transaction must be made in the accounting period that it is discovered. (Accounting and Uniform Compliance Guidelines Manual for Indiana Political Subdivisions - Information Technology)

CONDITION OF RECORDS

The County Home individual resident account balances (subsidiary ledgers), Residents' Trust (control ledger), and reconciled bank balances were not in agreement for any month during the audit period due to incomplete and inaccurate records. The Sunny Meadows Residents' Trust fund was removed from the County's financial statements as a result of undetermined receipts, disbursements, and account balances.

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, Chapter 1)

COUNTY HOME
DEKALB COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 18, 2019, with Don Pierson, County Home Director.

The contents of this report were discussed on September 18, 2019, with Donald D. Grogg, President of the Board of County Commissioners, and Richard Ring, President of the County Council.

COUNTY DRAINAGE BOARD
DEKALB COUNTY

COUNTY DRAINAGE BOARD
DEKALB COUNTY
AUDIT RESULT AND COMMENT

PUBLIC WORKS

The County Drainage Board issued a contract over \$75,000 without publishing a public notice for a request of bid submissions.

Indiana Code 36-9-27-78(a) states in part:

"Whenever the board is ready to let contracts, it shall publish notice in accordance with [IC 5-3-1](#). The notice must:

- (1) state that at a date, time, and place the board will receive bids on the work;
- (2) generally and concisely describe the nature of the work to be done and materials to be furnished;
- (3) invite sealed bids; and
- (4) state that prospective bidders may obtain plans, specifications, and forms from the county surveyor in charge of the work. . . ."

COUNTY DRAINAGE BOARD
DEKALB COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 18, 2019, with Randall J. Deetz, President of the County Drainage Board; Brenda F. Myers, Administrative Assistant; Nathan Frye, Deputy Surveyor; Michael C. Kline, County Surveyor; and Shannon E. Kruse, Attorney for Cedar Creek Drainage Board and the County Drainage Board.

The contents of this report were discussed on September 18, 2019, with Donald D. Grogg, President of the Board of County Commissioners, and Richard Ring, President of the County Council.