

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

DECATUR COUNTY, INDIANA

January 1, 2018 to December 31, 2018



FILED
11/15/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Janet S. Chadwell	01-01-16 to 12-31-20
County Treasurer	Brenda L. Dwenger	07-31-17 to 12-31-20
Clerk of the Circuit Court	Adina A. Roberts	01-01-15 to 12-31-22
County Sheriff	Gregory D. Allen Dave Durant	01-01-15 to 12-31-18 01-01-19 to 12-31-22
County Recorder	Denise Zeigler Dottie Robbins	01-01-15 to 12-31-18 01-01-19 to 12-31-22
President of the Board of County Commissioners	Richard J. Nobbe	01-01-18 to 12-31-19
President of the County Council	Ernest J. Gauck	01-01-18 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF DECATUR COUNTY, INDIANA

This report is supplemental to our audit report of Decatur 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

October 9, 2019

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COUNTY AUDITOR
DECATUR COUNTY

COUNTY AUDITOR
DECATUR COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in prior Report B51639, entitled *RECONCILEMENT BETWEEN COUNTY TREASURER AND COUNTY AUDITOR*.

Condition and Context

The County Auditor did not have an effective system of controls over financial transactions and reporting.

Financial Transactions

Numerous transactions were recorded as either receipt adjustments or claim adjustments during 2018. These transactions were prepared mostly by one County Auditor office employee. These transactions included such items as corrections to either receipts or checks; recording electronic funds received, or electronic payments made; transfers of cash between funds, transfers of appropriations within funds, and payroll transactions.

Some of the transactions, such as cash transfers between the funds, were approved by the County Council. The appropriation transfers had been appropriately documented and approved by the department head or official; however, those appropriation transfers were not being posted correctly within the financial system. The adjustments being made were to the actual cash receipts or cash disbursements, not to the financial software budget appropriations.

There was not any evidence that someone reviewed the fund transactions subsequent to the adjustment, to ensure that the correction had been made correctly. During inquiry, we noted that there were several transactions for which the adjustments may not have been made correctly.

There were no policies or procedures in place to assure that all such adjustments were supported by documentation, were reviewed or audited by a second employee, and that all such transactions were approved by the County Auditor and the appropriate governing body. There was no system in place to track where documentation, if available, was located. Only the one employee was able to locate and provide the documentation.

Reconciliation Between the County Treasurer and the County Auditor

There was no documented internal controls in place to reconcile the County Auditor's Funds Ledger between the County Auditor's and County Treasurer's offices during 2018. During the year, the month-end differences between the County Auditor's ledger ranged from (\$221,037) to \$1,565,667 different from the County Treasurer's ledger. As of December 31, 2018, the County Auditor's ledger balance exceeded the County Treasurer's funds ledger balance by \$27,044. During 2019, the County Treasurer and the County Auditor and their respective employees, have been working on controls, processes, and procedures to determine differences and make corrections.

Financial Closing and Reporting

The financial software had not been routinely closed at the end of each month, which could result in transactions incorrectly recorded or adjustments made to prior months.

COUNTY AUDITOR
DECATUR COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

During the audit of the financial statement, we noted that there were multiple funds that were not reported correctly as to the cash and investment balances, receipts, or disbursements. The County Auditor's staff was unable to determine why these errors occurred, since the financial information was uploaded via vendor files to the Indiana Gateway for Government Units (Gateway) financial reporting system established by the State of Indiana to allow governmental units to file Annual Financial Reports (AFR).

Audit adjustments were proposed and accepted by the County Auditor's staff. The financial statement presented reflects those adjustments and results in a presentation of the financial statement that is materially correct.

Self Insurance Fund

Management of the County had not established an adequate internal control system related to financial transactions and reporting of the activity in the Self Insurance Fund.

The County utilized a third-party administrator to administer their Self Insurance Fund. The administrator provided the County Auditor's office with a detailed reconciliation worksheet showing the fund's monthly income and expenditures and ending cash balances. The County Auditor's office did not enter the fund on their financial ledger, nor did they report this fund in their AFR.

There was no evidence of controls to verify that the information received from the third-party administrator was accurate or to ensure that the receipts and disbursements reflected on the third-party administrator's reports were accurate.

The County Auditor did review the monthly check detail confirming the patient was either a County employee or dependent of a County employee.

Audit adjustments were proposed, approved by the County Auditor's staff, and made to the financial statement.

This was a systemic issue as controls over the Self Insurance fund did not exist during the audit period.

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 AUDITOR
DECATUR COUNTY
AUDIT RESULTS AND COMMENTS
(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. . . ."

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](#)."

COURTHOUSE REHAB LOAN

Condition and Context

The County Treasurer cashed several certificates of deposit and used the proceeds to pay off the County's Courthouse Rehab loan. As a result, the County paid off the loan on August 13, 2018, in the amount of \$1,248,858. Those certificates of deposit were part of the total monies on deposit investments reported on the County Treasurer's Cash Book; however, the County Auditor's office receipted the proceeds in the amount of \$1,248,858 into the Courthouse Rehab fund in error, and then subsequently recorded a receipt adjustment to reverse the original receipt. In 2019, the County Auditor's office again wrote a receipt for that same amount. That receipt was subsequently adjusted out on August 22, 2019. This resulted in the Courthouse Rehab fund cash balance being overdrawn by \$1,248,858 as of December 31, 2018.

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Report B51639.

Condition and Context

The financial statement presented for the County included the following funds with overdrawn cash balances at December 31, 2018:

COUNTY AUDITOR
 DECATUR COUNTY
 AUDIT RESULTS AND COMMENTS
 (Continued)

Fund	Amount Overdrawn
School Resource Officer	\$ 11,914
20.608 Operation Pull Over	14,197
Courthouse Rehab	1,248,858
FOP Dues	8
20.616 Traffic safety/Occupati	6,180
93.069 Public Health Prep	14,897
EMPG Competitive	5,354
2014 District Sustainment	1,291
2014 District Training	645
2015 SHSP District 9 Equipment	1,291
SHSP Project Grant	4,558

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The County's Gateway certification on the training on the internal control standards was not made correctly. The County answered yes, but had not trained new employees on the standards.

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
DECATUR COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 9, 2019, with Janet S. Chadwell, County Auditor; Richard J. Nobbe, President of the Board of County Commissioners; Danny Peters, County Council member; Brenda L. Dwenger, County Treasurer; Christy Smiley, Deputy County Auditor; Teresa Reiger, Deputy County Auditor; and Diane Wenning, Deputy County Treasurer.

COUNTY TREASURER
DECATUR COUNTY

COUNTY TREASURER
DECATUR COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in prior Report B51639, entitled *RECONCILEMENT BETWEEN COUNTY TREASURER AND COUNTY AUDITOR*.

Condition and Context

The County Treasurer's office did not have an effective system of controls in place designed to prevent or detect errors associated with financial transactions, closing, and reporting:

Treasurer's Daily Balance of Cash and Depositories (Cash Book)

The County Treasurer's Bookkeeper recorded all transactions to the County Treasurer's Cash Book, with no oversight or review process. There was also no documented evidence that the County Treasurer's taxes and other sources book balances were reconciled to the supporting documentation and/or reports on a regular basis. As a result, a lottery excise credit distribution of \$74,354 was posted twice to the Cash Book in 2018, and was not found in a timely manner. The correction was made as of June 5, 2019.

Bank Reconcilements

Depository reconcilements of the fund balances to the bank account balances were completed. As of December 31, 2018, a difference between the adjusted bank reconciliation balance and the County Treasurer's Cash Book balance indicated a cash long of \$195,379, which was determined to be immaterial to the financial statement as a whole. The \$195,379 was posted to the County Treasurer's Cash Book Other Sources as "Fund Difference." The December 31, 2018 bank reconciliation for one bank account contained various reconciling items that dated as far back as 2012.

The bank reconcilements did not include sufficient detail for all reconciling items.

Several of the financial software reconciliation reports were either not used or the cleared transactions were not correctly cleared from the system each month during the reconciling process.

Reconciliation Between the County Treasurer and the County Auditor

There was no documented internal controls in place to reconcile the County Auditor's Funds Ledger between the County Auditor's and County Treasurer's offices during 2018. During the year, the month-end differences between the County Auditor's ledger ranged from (\$221,037) to \$1,565,667 different from the County Treasurer's ledger. As of December 31, 2018, the County Auditor's ledger balance exceeded the County Treasurer's funds ledger balance by \$27,044. During 2019, the County Treasurer and the County Auditor and their respective employees, have been working on controls, processes, and procedures to determine differences and make corrections.

The County Treasurer's staff closed their financial software after they prepared their bank reconcilements, rather than at the end of each month.

COUNTY TREASURER
DECATUR COUNTY
AUDIT RESULTS AND COMMENTS
(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:

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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."

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

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 County Treasurers of Indiana, Chapter 1)

COURTHOUSE REHAB LOAN

Condition and Context

The County Treasurer cashed several certificates of deposit and used the proceeds to pay off the County's Courthouse Rehab loan. As a result, the County paid off the loan on August 13, 2018, in the amount of \$1,248,858. Those certificates of deposit were part of the total monies on deposit investments reported on the County Treasurer's Cash Book; however, the County Auditor's office receipted the proceeds in the amount of \$1,248,858 into the Courthouse Rehab fund in error, and then subsequently recorded a receipt adjustment to reverse the original receipt. In 2019, the County Auditor's office again wrote a receipt for that same amount. That receipt was subsequently adjusted out on August 22, 2019. This resulted in the Courthouse Rehab fund cash balance being overdrawn \$1,248,858 as of December 31, 2018.

COUNTY TREASURER
DECATUR COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

COUNTY TREASURER
DECATUR COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 9, 2019, with Brenda L. Dwenger, County Treasurer; Richard J. Nobbe, President of the Board of County Commissioners; Danny Peters, County Council member; Janet S. Chadwell, County Auditor; Diane Wenning, Deputy County Treasurer; Christy Smiley, Deputy County Auditor; and Teresa Reiger, Deputy County Auditor.

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COUNTY ASSESSOR
DECATUR COUNTY

COUNTY ASSESSOR
DECATUR COUNTY
AUDIT RESULT AND COMMENT

LEVEL THREE CERTIFICATION

Condition and Context

The County Assessor did not obtain a level three certification prior to taking office in 2019, as required per Indiana Code 36-2-15-2.

Criteria

Indiana Code 36-2-15-2 states in part:

"(a) A county assessor shall be elected under [IC 3-10-2-13](#) by the voters of the county.

(b) To be eligible to serve as an assessor, an individual must meet the following qualifications before taking office:

- (1) If the individual has never held the office of county assessor, the individual must have attained a level two assessor-appraiser certification under [IC 6-1.1-35.5](#).
- (2) If the individual has held the office of county assessor, the individual must have attained a level three assessor-appraiser certification under [IC 6-1.1-35.5](#) . . ."



Dorene Greiwe

Decatur County Assessor

150 Courthouse Square Suite 105, Greensburg IN 47240

Phone - 812-663-4868

Fax – 812-662-6392

assessor@decaturcounty.in.gov

October 8, 2019

Re: Exit conference response on Level III

Dear State Board of Accounts,

I have not completed all 5 courses to have obtain my Level III certification as of today's date. I did take the last of my 5 courses on the week of September 30 – October 4. I am waiting to hear from IAAO as to if I passed or not, it could take up 4 weeks before I hear the results. I have had this course scheduled numerous times at the end of last year and this year for the classes to be cancelled. So I have had to wait to take this course when they had another one scheduled. However I do have a plan if I do not pass this course. If I don't pass I will study again and have the test proctored to me so that I can get it taken care of before the end of this year. I do have a vendor on the payroll that is a Level III, (Ad Valorem Solutions).

Thank you,

Dorene Greiwe
Decatur County Assessor

COUNTY ASSESSOR
DECATUR COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 7, 2019, with Dorene Greiwe, County Assessor.

The contents of this report were discussed on October 9, 2019, with Janet S. Chadwell, County Auditor; Richard J. Nobbe, President of the Board of County Commissioners; Danny Peters, County Council member; Brenda L. Dwenger, County Treasurer; Christy Smiley, Deputy County Auditor; Teresa Reiger, Deputy County Auditor; and Diane Wenning, Deputy County Treasurer.

BOARD OF COUNTY COMMISSIONERS
DECATUR COUNTY

BOARD OF COUNTY COMMISSIONERS
DECATUR COUNTY
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The County did not provide internal control training to employees hired after 2016.

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
DECATUR COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 21, 2019, with Richard J. Nobbe, President of the Board of County Commissioners.