

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MONTGOMERY COUNTY, INDIANA

January 1, 2015 to December 31, 2018



FILED
11/19/2019

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---|--------------------------------------|--|
| County Auditor | Jennifer Andel | 01-01-15 to 12-31-22 |
| County Treasurer | Janet S. Johnson Heather Laffoon | 01-01-15 to 12-31-18 01-01-19 to 12-31-22 |
| Clerk of the Circuit Court | Jennifer Bentley Karyn D. Douglas | 01-01-13 to 12-31-16 01-01-17 to 12-31-20 |
| County Sheriff | Mark A. Casteel Ryan Needham | 01-01-15 to 12-31-18 01-01-19 to 12-31-22 |
| County Recorder | Kathy Traughber Jennifer Bentley | 01-01-13 to 12-31-16 01-01-17 to 12-31-20 |
| President of the Board of County Commissioners | Phillip Bane James D. Fulwider | 01-01-13 to 12-13-15 01-01-16 to 12-31-19 |
| President of the County Council | Aaron Morgan Terry Hockersmith | 01-01-15 to 12-31-16 01-01-17 to 12-31-19 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF MONTGOMERY COUNTY, INDIANA

This report is supplemental to our audit report of Montgomery County (County), for the period from January 1, 2015 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 Statements Audit Report of the County, which provides our opinion on the County's financial statements. 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 28, 2019

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COUNTY AUDITOR
MONTGOMERY COUNTY

COUNTY AUDITOR
MONTGOMERY COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

Internal controls were established for the submission of the Gateway Annual Report but the procedures were not effective in preventing errors and omissions in the financial statements. The financial statements were adjusted to include several omitted funds in order to ensure that the financial statements for years 2015, 2016, 2017, and 2018 were comparable. The majority of the errors involved departmental funds that were not accounted for in the County Auditor's Ledger, but were reported to the County Auditor by the departments on the supplemental County Annual Report.

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

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
MONTGOMERY 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](#)."

CAPITAL ASSETS

Condition and Context

Documentation of a complete capital asset inventory listing detailing individual assets was not provided. Additionally, a formal capital asset policy was not provided.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY AUDITOR
MONTGOMERY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 28, 2019, with Jennifer Andel, County Auditor; James D. Fulwider, President of the Board of County Commissioners; Terry Hockersmith, President of the County Council; Karyn D. Douglas, Clerk of the Circuit Court; Daniel Taylor, County Attorney; Susan Smith, County Attorney Assistant; and Mark Casteel, County Administrator.

CLERK OF THE CIRCUIT COURT
MONTGOMERY COUNTY

CLERK OF THE CIRCUIT COURT
MONTGOMERY COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

Condition and Context

The monthly bank reconciliations were completed and found to be accurate and timely, but there was no audit evidence presented that the completed reconciliations were reviewed. The lack of oversight and review could have allowed misstatements to occur and remain undetected.

Criteria

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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. . . ."

CLERK OF THE CIRCUIT COURT
MONTGOMERY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 28, 2019, with Karyn D. Douglas, Clerk of the Circuit Court; James D. Fulwider, President of the Board of County Commissioners; Terry Hockersmith, President of the County Council; Jennifer Andel, County Auditor; Daniel Taylor, County Attorney; Susan Smith, County Attorney Assistant; and Mark Casteel, County Administrator.