

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BLACKFORD COUNTY, INDIANA

January 1, 2017 to December 31, 2018



FILED
11/27/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Sharon L. Hartley	02-19-16 to 12-31-22
County Treasurer	Dana D. Turner	01-01-17 to 12-31-20
Clerk of the Circuit Court	Laura A. Coons	01-01-17 to 12-31-20
County Sheriff	Jeffrey C. Sones	01-01-15 to 12-31-22
County Recorder	Kelli J. Schriver	01-01-17 to 12-31-20
President of the Board of County Commissioners	John A. Lancaster	01-01-17 to 12-31-19
President of the County Council	Thomas L. Armstrong Daniel E. Borgenheimer	01-01-17 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 BLACKFORD COUNTY, INDIANA

This report is supplemental to our audit report of Blackford 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

October 9, 2019

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COUNTY AUDITOR
BLACKFORD COUNTY

COUNTY AUDITOR
BLACKFORD COUNTY
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

Condition and Context

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

Fund	12-31-18 Amount Overdrawn
Reassessment	\$ 21,561
State Fines and Forfeitures	1,222

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 Auditor certified in the Annual Financial Report that internal control standards were adopted and that employees were properly trained on those standards; however, there was no documentation to provide evidence that training on these internal control standards was being done during the audit period.

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
BLACKFORD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 9, 2019, with Sharon L. Hartley, County Auditor, and John A. Lancaster, President of the Board of County Commissioners.

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COUNTY TREASURER
BLACKFORD COUNTY

COUNTY TREASURER
BLACKFORD COUNTY
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Condition and Context

A similar comment appeared in prior Report B49331, entitled *BANK ACCOUNT RECONCILIATIONS*.

Depository reconciliations of the fund balances to the bank account balances were conducted during the audit period; however, the reconciliations were not prepared in a timely manner. Timely reconciliations began in September of 2018.

Criteria

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."

DEFICIENCY IN INTERNAL CONTROL

Condition and Context

The County Treasurer did not have a proper system of internal controls in place over cash and investments to prevent, or detect and correct, errors. The County Treasurer had not separated incompatible activities related to cash and investments. The failure to establish these controls could have enabled material misstatements to be undetected.

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. . . .

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. . . ."

COUNTY TREASURER
BLACKFORD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 9, 2019, with Dana D. Turner, County Treasurer, and John A. Lancaster, President of the Board of County Commissioners.

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CLERK OF THE CIRCUIT COURT
BLACKFORD COUNTY

CLERK OF THE CIRCUIT COURT
BLACKFORD COUNTY
AUDIT RESULT AND COMMENT

DEFICIENCY IN INTERNAL CONTROL

Condition and Context

The Clerk of the Circuit Court (Clerk) did not have a proper system of internal controls in place over cash and investments to prevent, or detect and correct, errors. The Clerk had not separated incompatible activities related to cash and investments. The failure to establish these controls could have enabled material misstatements to be undetected.

The Clerk did not have a proper system of internal controls in place over receipts to prevent, or detect and correct, errors. The Clerk had not separated incompatible activities related to receipts. The failure to establish these controls could have enabled material misstatements to be undetected.

The lack of controls and noncompliance were systemic issues, which occurred throughout 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. . . .

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
BLACKFORD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 9, 2019, with Laura A. Coons, Clerk of the Circuit Court, and John A. Lancaster, President of the Board of County Commissioners.

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COUNTY SHERIFF
BLACKFORD COUNTY

COUNTY SHERIFF
BLACKFORD COUNTY
AUDIT RESULTS AND COMMENTS

**SUPPLEMENTAL COUNTY ANNUAL FINANCIAL REPORT -
SHERIFF INMATE TRUST AND JAIL COMMISSARY**

Condition and Context

A similar comment appeared in prior Report B49331, entitled *SUPPLEMENTAL COUNTY ANNUAL REPORT - SHERIFF INMATE TRUST AND JAIL COMMISSARY*.

The 2017 and 2018 Supplemental County Annual Financial Reports for the Sheriff Inmate Trust and Jail Commissary did not reflect the activity of the funds. These Supplemental County Annual Financial Reports were filed using amounts that reflected the monthly bank statement deposits and charges instead of the receipts and disbursements from the Sheriff Inmate Trust and Jail Commissary ledgers. A Jail Commissary ledger was not maintained for the year 2017.

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](#)."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

BANK ACCOUNT RECONCILIATIONS - SHERIFF INMATE TRUST AND JAIL COMMISSARY

Condition and Context

A similar comment appeared in prior Report B49331, entitled *BANK ACCOUNT RECONCILIATIONS - SHERIFF INMATE TRUST AND JAIL COMMISSARY*.

Monthly reconciliations between the bank accounts for the Sheriff Inmate Trust and Jail Commissary were not presented for the audit period. Entries were made in the funds ledgers for these accounts that attempted a reconciliation; however, complete reconciliations were not presented.

Criteria

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."

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 of Indiana, Chapter 1)

COUNTY SHERIFF
BLACKFORD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 9, 2019, with Jeffrey C. Sones, County Sheriff; John A. Lancaster, President of the Board of County Commissioners; and Angela Garlow, Administrative Assistant.

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COUNTY COUNCIL
BLACKFORD COUNTY

COUNTY COUNCIL
BLACKFORD COUNTY
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The County established internal control standards with the adoption of Ordinance No. 2016-07, on May 2, 2016. The ordinance provided ". . . that all personnel receive training concerning the internal control procedures adopted . . ." However, there was no documentation to provide evidence that training on these internal control standards was being done during the audit period.

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."

COUNTY COUNCIL
BLACKFORD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 28, 2019, with Daniel E. Borgenheimer, President of the County Council.