

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

NOBLE COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED
07/13/2020

This report was reissued on August 20, 2020, to include modifications to the Clerk of the Circuit Court comment.

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Tonya L. Jones	01-01-19 to 12-31-20
County Treasurer	Michelle J. Bricker	01-01-19 to 12-31-20
Clerk of the Circuit Court	Michelle L. Mawhorter	01-01-19 to 12-31-20
County Sheriff	Max Weber	01-01-19 to 12-31-20
County Recorder	Candy B. Myers	01-01-19 to 12-31-20
President of the Board of County Commissioners	Gary D. Leatherman	01-01-19 to 12-31-20
President of the County Council	Denise Lemmon	01-01-19 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF NOBLE COUNTY, INDIANA

This report is supplemental to our audit report of Noble County (County), for the period from January 1, 2019 to December 31, 2019. 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 opinions 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

May 28, 2020

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COUNTY AUDITOR
NOBLE COUNTY

COUNTY AUDITOR
NOBLE COUNTY
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

Condition and Context

The financial statement presented in the Financial Statement Audit Report included the MVH Restricted fund with an overdrawn cash balance that was not related to either a reimbursable grant fund or a fund reliant on reimbursable fees. The fund had an overdrawn cash balance of \$231,125 at December 31, 2019.

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)

COUNTY AUDITOR
NOBLE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 28, 2020, with Tonya L. Jones, County Auditor; Jackie Knafel, County Coordinator; Gary D. Leatherman, President of the Board of County Commissioners; and Denise Lemmon, President of the County Council.

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CLERK OF THE CIRCUIT COURT
NOBLE COUNTY

CLERK OF THE CIRCUIT COURT
NOBLE COUNTY
AUDIT RESULT AND COMMENT

FAILURE TO IMMEDIATELY REPORT TEMPORARY LOSSES GENERATED BY BANKING SCHEME

Condition and Context

The Clerk of the Circuit Court's (Clerk) trust bank account was compromised through a banking scheme. On September 17, 2019, the Clerk's office was notified by the bank of the scheme. Several checks were identified as not being appropriate, with the first withdrawals based on these inappropriate checks occurring as early as September 4, 2019. The bank credited back to the account those funds found to be part of the scheme, which totaled \$47,574.71.

The Clerk did not immediately report to the Indiana State Board of Accounts (SBOA) losses of public funds through the banking scheme as required by statute. This is required even when there is return of funds. Verbal notice was given to the SBOA field examiner on-site April 13, 2020, approximately eight months after the loss was discovered.

The Clerk also informed us that she had worked with the bank to implement a control in the form of positive pay to prevent reoccurrences.

This control process requires the Clerk to provide check issuance data to the bank. The bank runs any check received against this data. An exception report is generated by the bank's software that provides if there is a variation or duplication of a check. The exception report is provided to the Clerk. The Clerk then has until 10:00 A.M. the following morning to instruct the bank either "to pay" or "to return" the check to the originating depository.

The bank guarantees the Clerk's money against loss if the Clerk submits a "to return" within the time allowed. The bank will still return the check to the originating depository bank if the Clerk provides the "to return" after the deadline but within 48 hours; however, the bank does not guarantee against loss the Clerk's money.

Our testing found checks that were identified as "to return" by the Clerk. This was happening on a regular basis from the time of implementation of the positive pay through the last month that we tested in March 2020. These totaled \$52,682.49.

CLERK OF THE CIRCUIT COURT
NOBLE COUNTY
AUDIT RESULT AND COMMENT
(Continued)

The variation of positive pay that this bank uses has the default set by the bank "to pay." For the control to be effective and the Clerk to be guaranteed against loss of money, the Clerk must be timely in the "to return" instructions back to the bank and must have proper controls in place to ensure timeliness. While no permanent losses occurred, it is imperative that the Clerk ensure appropriate controls are in place.

Criteria

Indiana Code 5-11-1-27(j) states:

"All erroneous or irregular material variances, losses, shortages, or thefts of political subdivision funds or property shall be reported immediately to the state board of accounts. For all material variances, losses, shortages, or thefts, the state board of accounts shall:

- (1) determine the amount of funds involved and report the amount to the appropriate government and law enforcement officials;
- (2) determine the internal control weakness that contributed to or caused the condition; and
- (3) make written recommendations to the appropriate legislative body or appropriate official overseeing the internal control system addressing:
 - (A) the method of correcting the condition; and
 - (B) the necessary internal control policies and internal control procedures that must be modified to prevent a recurrence of the condition."

CLERK OF THE CIRCUIT COURT
NOBLE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 27, 2020, with Michelle L. Mawhorter, Clerk of the Circuit Court.

The contents of this report were discussed on May 28, 2020, with Gary D. Leatherman, President of the Board of County Commissioners, and Denise Lemmon, President of the County Council.

The contents of this report were also discussed on August 13, 2020, with Michelle L. Mawhorter, Clerk of the Circuit Court. The modifications to the comment included in the Clerk of the Circuit Court section of this report were discussed at that time.