

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MIAMI COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED
08/19/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Mary Brown	01-01-19 to 12-31-20
County Treasurer	Annette Phillippo	01-01-19 to 12-31-20
Clerk of the Circuit Court	Sherry Raber	01-01-19 to 12-31-20
County Sheriff	Timothy S. Hunter	01-01-19 to 12-31-20
County Recorder	Rhonda Trexler	01-01-19 to 12-31-20
President of the Board of County Commissioners	Alan Hunt	01-01-19 to 12-31-20
President of the County Council	Ralph Duckwall	01-01-19 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF MIAMI COUNTY, INDIANA

This report is supplemental to our audit report of Miami 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

August 4, 2020

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COUNTY AUDITOR
MIAMI COUNTY

COUNTY AUDITOR
MIAMI COUNTY
AUDIT RESULT AND COMMENT

FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

The County did not have a proper system of internal controls in place over financial transactions and reporting to prevent, or detect and correct, errors. Due to the lack of controls over the input of financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Annual Financial Report and the financial statements, material errors remained undetected.

Financial Transactions and Reporting

The County Auditor entered and submitted the financial information into Gateway. Although this information was reviewed by another employee, the review process failed to detect material errors in the financial information reported.

Due to the lack of adequate internal controls, the financial statement presented for audit included the following errors:

1. The Treasurer Trust fund receipts and ending cash balance were overstated \$24,084,908.
2. The Bid Deposits and Bonds Holding fund beginning and ending cash and investments balances were understated \$9,384,064.
3. The Clerk's ISETS fund with beginning cash and investments \$8,076; receipts \$382,153; disbursements \$385,827; and ending cash and investments \$4,402 were omitted.
4. The Sheriff Inmate Trust fund receipts and disbursements were understated by \$361,505.
5. The Reassessment 2015 fund beginning and ending cash and investment balance was understated \$100,000.

Adjustments were proposed, accepted by the County, 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. . . .

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 AUDITOR
MIAMI COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 4, 2020, with Mary Brown, County Auditor; Alan Hunt, President of the Board of County Commissioners; and Ralph Duckwall, President of the County Council.

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CLERK OF THE CIRCUIT COURT
MIAMI COUNTY

CLERK OF THE CIRCUIT COURT
MIAMI COUNTY
AUDIT RESULT AND COMMENT

FINANCIAL TRANSACTIONS AND REPORTING

Repeat Finding

A similar comment appeared in prior Report B53908.

Condition and Context

The Clerk of the Circuit Court (Clerk) did not have a proper system of internal controls in place over all areas of financial transactions and reporting to prevent, or detect and correct, errors.

Cash and Investments

The Clerk did not have any controls in place to ensure cash and investments were properly reconciled to the bank accounts. The Clerk was properly completing all bank reconciliations; however, there was no evidence of another employee involved in reviewing or approving the reconciliation.

Disbursements

The Clerk did not have proper controls in place to ensure all Clerk Trust cash disbursements were properly recorded and reported. A Deputy Clerk was responsible for processing, recording, and signing (via stamp) checks for Clerk Trust disbursements. However, there was no evidence of a review or approval process by another employee.

Financial Close and Reporting

The Clerk did not have any controls in place to ensure an accurate financial close and reporting process. The Clerk was completing the CAR-1 report for the County Auditor; however, there was no evidence of another employee reviewing the report before submission to the County Auditor.

CLERK OF THE CIRCUIT COURT
MIAMI COUNTY
AUDIT RESULT AND COMMENT
(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:

"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. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

CLERK OF THE CIRCUIT COURT
MIAMI COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 4, 2020, with Sherry Raber, Clerk of the Circuit Court; Alan Hunt, President of the Board of County Commissioners; and Ralph Duckwall, President of the County Council.