

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

FLOYD COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED
08/20/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Scott L. Clark Jacqueline Wenning	01-01-19 to 09-11-19 09-12-19 to 12-31-20
County Treasurer	Lois N. Endris	01-01-19 to 12-31-20
Clerk of the Circuit Court	Danita Burks	01-01-19 to 12-31-20
County Sheriff	Frank Loop	01-01-19 to 12-31-20
County Recorder	Todd Scannell	01-01-19 to 12-31-20
President of the Board of County Commissioners	Billy Stewart Shawn Carruthers	01-01-19 to 12-31-19 01-01-20 to 12-31-20
President of the County Council	Denise Konkle Brad Striegel	01-01-19 to 12-31-19 01-01-20 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF FLOYD COUNTY, INDIANA

This report is supplemental to our audit report of Floyd 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 6, 2020

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COUNTY AUDITOR
FLOYD COUNTY

COUNTY AUDITOR
FLOYD COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in prior Report B53154, entitled *FINDING 2018-001*.

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 financial reporting system, which was the source of the Annual Financial Report (AFR) and the financial statement, material errors remained undetected.

The undetected errors include two funds incorrectly stated on the AFR. The net effect of the errors resulted in the disbursements being understated by \$8,108,968, and the ending cash and investment balances being overstated by \$8,108,968.

Audit adjustments were proposed, accepted by the County, and made to the financial statement.

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. . . . "

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
FLOYD COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

MOTOR VEHICLE HIGHWAY RESTRICTED FUND

Condition and Context

For the 2019 audit period, the County did not report the Motor Vehicle Highway fund and Motor Vehicle Highway Restricted fund separately on the Annual Financial Report. Activity for the Motor Vehicle Highway Restricted fund was combined and shown along with the Motor Vehicle Highway fund.

Criteria

On the chart of accounts, the MVH Fund and MVH Restricted sub-fund shall be shown as follows: Counties Fund 1176 MVH and Fund 1173 MVH Restricted . . . **Together, MVH and MVH Restricted shall constitute the total MVH Fund.** MVH and MVH Restricted will be shown separately on the Annual Financial Report and Annual Operational Report. (State Examiner Directive 2018-2)

APPROPRIATIONS

The same comment also appeared in prior Report B53154.

Condition and Context

The records presented for audit indicated that the General fund and the Auditor's Ineligible Deductions Nonreverting fund had expenditures in excess of budgeted appropriations in the amounts of \$5,267,140 and \$17,113, respectively.

Criteria

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

Indiana Code 6-1.1-36-17(g) states in part:

"Money deposited under subsection (d)(1) or (d)(2) shall be treated as miscellaneous revenue. Distributions shall be made from the nonreverting fund established under this section upon appropriation by the county fiscal body and shall be made only for the following purposes:

- (1) Fees and other costs incurred by the county auditor to discover property that is eligible for a standard deduction under IC 6-1.1-12-37.
- (2) Other expenses of the office of the county auditor. . . ."

CAPITAL ASSETS

Condition and Context

A complete detailed listing of all capital assets owned by the County was not provided for audit, nor has the County conducted periodic physical inventories.

COUNTY AUDITOR
FLOYD COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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 County Auditors of Indiana, Chapter 1)

MONTHLY GATEWAY UPLOADS

Condition and Context

The files and governmental unit information that are required to be uploaded monthly are the bank reconciliations, approved board minutes and funds ledger, summarizing total receipts, disbursements, and balances by fund. Annual upload requirements for manual records include the year-end bank statement, year-end outstanding check list, year-end investment statements, and current year salary resolution.

The County did not comply with the directive and failed to upload any of the County Council Board minutes in the Indiana Gateway for Government Units financial reporting system for 2019. Other required uploads for 2019 were not performed in a timely manner and no uploads have been performed to date for 2020.

Criteria

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Beginning with July 2018 files, which will be due September 15, 2018, all cities, towns, townships, libraries, and special districts will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. Counties and school corporations will upload January 2019 files beginning in March 2019. (State Examiner Directive 2018-01)

COUNTY AUDITOR
FLOYD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 6, 2020, with Jacqueline Wenning, County Auditor; Shawn Carruthers, President of the Board of County Commissioners; Brad Striegel, President of the County Council; Denise Konkle, County Council member; and Danny Short, County Council member.

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COUNTY TREASURER
FLOYD COUNTY

COUNTY TREASURER
FLOYD COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in prior Report B53154, entitled *FINDING 2018-003*.

Condition and Context

The County Treasurer did not have a proper system of internal controls in place over financial transactions and reporting to prevent, or detect and correct, errors in cash and investments. The County Treasurer had not established controls to ensure that the monthly bank reconciliations were completed and accurate.

Depository reconciliations of the fund balances to the bank account balances in the County Treasurer's office were not conducted for 3 of 13 bank accounts subsequent to April 2019. The reconciliations which were performed contained errors and did not balance. A comparison of the Treasurer's Daily Balance of Cash and Depositories, Form 47 (Cash Book) to the bank accounts on December 31, 2019, indicated an unidentified cash long of \$1,102,008.

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."

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 TREASURER
FLOYD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 10, 2020, with Lois N. Endris, County Treasurer.

The contents of this report were discussed on August 6, 2020, with Shawn Carruthers, President of the Board of County Commissioners; Brad Striegel, President of the County Council; Denise Konkle, County Council member; and Danny Short, County Council member.

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COUNTY COUNCIL
FLOYD COUNTY

COUNTY COUNCIL
FLOYD COUNTY
AUDIT RESULT AND COMMENT

APPROPRIATIONS

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Condition and Context

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- (1) Fees and other costs incurred by the county auditor to discover property that is eligible for a standard deduction under IC 6-1.1-12-37.
- (2) Other expenses of the office of the county auditor. . . ."

COUNTY COUNCIL
FLOYD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 6, 2020, with Shawn Carruthers, President of the Board of County Commissioners; Brad Striegel, President of the County Council; Denise Konkle, County Council member; and Danny Short, County Council member.