

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SCOTT COUNTY, INDIANA

January 1, 2019 to December 31, 2019



**FILED**  
08/26/2020



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
County Auditor:	
Audit Result and Comment:	
Internal Controls over Receipts and Payroll .....	6
Exit Conference .....	7
County Treasurer:	
Audit Result and Comment:	
Internal Controls over Cash and Investments.....	10-11
Exit Conference .....	12
County Sheriff:	
Audit Result and Comment:	
Internal Controls over Commissary and Inmate Trust Funds .....	14
Exit Conference .....	15

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Tammy Stout Johnson	01-01-19 to 12-31-20
County Treasurer	Sheryl Jent	01-01-19 to 12-31-20
Clerk of the Circuit Court	Missy Applegate	01-01-19 to 12-31-20
County Sheriff	Jerry D. Goodin	01-01-19 to 12-31-20
County Recorder	Marilyn S. Kundysek	01-01-19 to 12-31-20
President of the Board of County Commissioners	Robert Tobias	01-01-19 to 12-31-20
President of the County Council	Mike Zollman	01-01-19 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](http://www.in.gov/sboa)

TO: THE OFFICIALS OF SCOTT COUNTY, INDIANA

This report is supplemental to our audit report of Scott 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/](http://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 13, 2020

(This page intentionally left blank.)

COUNTY AUDITOR  
SCOTT COUNTY

COUNTY AUDITOR  
SCOTT COUNTY  
AUDIT RESULT AND COMMENT

**INTERNAL CONTROLS OVER RECEIPTS AND PAYROLL**

A similar comment also appeared in prior Report B53295, entitled *FINDING 2018-002*.

*Condition and Context*

There were several deficiencies in the internal control system related to financial transactions and reporting.

*Cash Receipts*

The County Auditor's staff wrote receipts; however, there was no documented oversight or review of the receipts, and whether they were posted to the correct fund.

*Payroll*

One staff member in the County Auditor's office was responsible for almost all areas of payroll, with no documented oversight or review, including:

- Not all timesheets were approved by the department head prior to submitting payroll.
- There was no documented oversight or review of the payroll system postings to the budgetary accounts. The Chief Deputy County Auditor indicated that they reviewed this information; however, there was no documentation of that review.
- There was no documented review or approval process for payroll corrections, adjustments, employee withholdings, and employer benefit payments.
- There was no documented review or analysis of the payroll withholding funds to ensure that the payments were posted properly and that the balances, if any, were correct and owed for unpaid and/or outstanding obligations.

*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  
SCOTT COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 13, 2020, with Tammy Stout Johnson, County Auditor; Teresa Vannarsdall, Chief Deputy County Auditor; Robert Tobias, President of the Board of County Commissioners; Mike Zollman, President of the County Council; and Mike Chesser, Director of the Visitor's Commission.

(This page intentionally left blank.)

COUNTY TREASURER  
SCOTT COUNTY

COUNTY TREASURER  
SCOTT COUNTY  
AUDIT RESULT AND COMMENT

**INTERNAL CONTROLS OVER CASH AND INVESTMENTS**

A similar comment also appeared in prior Reports B51387, entitled *FINDING 2017-003*, and B53295, entitled *FINDING 2018-003*.

*Condition and Context*

There were several deficiencies in the internal control system related to financial transactions and reporting.

- Lack of Segregation of Duties: The County Treasurer had not separated incompatible activities related to cash and investments and financial reporting. Control activities should be in place to reduce the risks of errors in financial reporting.
- The County Treasurer's Daily Balance of Cash and Depositories, Form 47 (Cash Book), was not being posted and balanced daily. There were no controls in place to ensure that the posting and reconciling of the Cash Book was done daily as required by statute.
- The Cash Book was not completely reconciled to the bank statements on a monthly basis. There were no controls established to ensure that the monthly bank reconciliations were completed and accurate.

As of December 31, 2019, the total cash and investments, per the Cash Book, indicated a cash necessary to balance of \$51,039.

*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.

COUNTY TREASURER  
SCOTT COUNTY  
AUDIT RESULT AND COMMENT  
(Continued)

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 5-13-5-1(a) states:

"Every public officer who receives or distributes public funds shall:

- (1) keep a cashbook into which the public officer shall enter daily, by item, all receipts of public funds; and
- (2) balance the cashbook daily to show funds on hand at the close of each day."

The Treasurer's Daily Balance of Cash and Depositories, Form 47, is the record prescribed to enable the treasurer to comply with IC 5-13-5-1. It reflects the daily receipts and disbursements, total amount of cash and investments on hand, and a proof of the financial condition of the office at the close of each day. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 5)

The record is designed to be posted "daily," with a separate page for each day. The left side of the page shows the total amount of money for which the treasurer is accountable (charges) and the right side of the page shows the money on deposit, invested or on hand (credits), as proof of the financial condition. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 5)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

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."

COUNTY TREASURER  
SCOTT COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 13, 2020, with Sheryl Jent, County Treasurer; Tammy Stout Johnson, County Auditor; Teresa Vannarsdall, Chief Deputy County Auditor; Robert Tobias, President of the Board of County Commissioners; Mike Zollman, President of the County Council; and Mike Chesser, Director of the Visitor's Commission.

COUNTY SHERIFF  
SCOTT COUNTY

COUNTY SHERIFF  
SCOTT COUNTY  
AUDIT RESULT AND COMMENT

**INTERNAL CONTROLS OVER COMMISSARY AND INMATE TRUST FUNDS**

A similar comment also appeared in prior Report B53295, entitled *FINDING 2018-004*.

*Condition and Context*

There were several deficiencies in the internal control system related to financial transactions and reporting.

*Lack of Segregation of Duties: Commissary*

The County Sheriff's Department had not separated incompatible activities related to the financial transactions of the Commissary. One employee was responsible for reconciling daily cash collections, preparing and making the bank deposits, recording receipts and disbursements in the financial records, and performing the reconciliation of the depository account balance with the record balance. There were no controls in place, such as an oversight, review, or approval process, over the financial records or bank reconcilements.

*Lack of Segregation of Duties: Inmate Trust*

The County Sheriff's Department had not separated incompatible activities related to financial transactions of the Inmate Trust accounts. One employee was responsible for reconciling daily cash collections, recording receipts and disbursements in the financial records, and performing the reconciliation of the depository account balance with the record balance. There were no controls in place, such as an oversight, review, or approval process, over the financial records or bank reconcilements.

*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 SHERIFF  
SCOTT COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 13, 2020, with Jerry D. Goodin, County Sheriff; Amy Beverly, Chief Financial Officer; Patti Combs, Chief of Internal Operations; Kimberly Box, Assistant Chief of Internal Operations; Tammy Stout Johnson, County Auditor; Teresa Vannarsdall, Chief Deputy County Auditor; Robert Tobias, President of the Board of County Commissioners; Mike Zollman, President of the County Council; and Mike Chesser, Director of the Visitor's Commission.