

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CRAWFORD COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED
09/30/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Christian Howell	01-01-19 to 12-31-20
County Treasurer	Kelli R. Slaughterback	01-01-19 to 12-31-20
Clerk of the Circuit Court	Lisa Holzbog	01-01-19 to 12-31-20
County Sheriff	Jeff Howell	01-01-19 to 12-31-20
County Recorder	Jessica Villegas	01-01-19 to 12-31-20
President of the Board of County Commissioners	Morton Dale	01-01-19 to 12-31-20
President of the County Council	William E. Breeding Chad Riddle	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
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TO: THE OFFICIALS OF CRAWFORD COUNTY, INDIANA

This report is supplemental to our audit report of Crawford 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

September 15, 2020

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COUNTY AUDITOR
CRAWFORD COUNTY

COUNTY AUDITOR
CRAWFORD COUNTY
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

A similar comment appeared in a Management Letter addressed to the County Auditor for the audit period ending December 31, 2018.

Condition and Context

Depository reconciliations of the County Treasurer's bank account balances to the County Auditor's fund ledger were conducted monthly; however, the adjusted bank balance exceeded the Auditor's fund ledger balance by \$155,280 as of December 31, 2019.

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 County Auditors of Indiana, Chapter 1)

DISBURSEMENTS

A similar comment appeared in prior Report B53552, entitled *INTERNAL CONTROLS*.

Similar comments also appeared in a Management Letter addressed to the County Auditor for the audit period ending December 31, 2018, entitled *CONDITION OF RECORDS, PENALTIES, INTEREST AND OTHER CHARGES*, and *SALES TAX PAID ON PURCHASES*.

Condition and Context

There were deficiencies in the internal control system of the County related to financial transactions and reporting. The County had not established an effective internal control system that separated incompatible activities related to vendor disbursements, including both credit card and utility disbursements, and payroll disbursements.

Vendor Disbursements

The County had established controls over vendor disbursements; however, effective internal controls were not in place to ensure that claims were processed accurately and paid timely to prevent penalties, interest, and other charges from being incurred.

Credit Card Claims

Credit card claims did not contain adequate itemized supporting documentation for 6 of 88 claims examined. This resulted in disbursements that could not be verified, and 2 credit card claims being paid twice. Of the 23 credit card claims tested during the period of January 1, 2020 to June 30, 2020, 4 did not contain adequate itemized supporting documentation. In addition, the amount paid on 1 claim totaled \$250 more than the itemized supporting documentation that was attached.

COUNTY AUDITOR
CRAWFORD COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

The County paid \$103 in sales tax during the audit period on credit card purchases.

Utility Claims

The County paid \$1,189 in late and phone check fees and \$24 in sales tax during 2019, and \$133 in late fees and \$13 in sales tax from January 1, 2020 to June 30, 2020, to utility vendors. Late fees were added to 50 separate utility bill invoices during 2019, and to 22 separate utility bill invoices during the 2020 period reviewed. Sales tax was paid on 21 separate utility bill invoices during 2019, and 12 separate utility bill invoices during the 2020 period reviewed. Phone check fees were added to 2 utility bill invoices which were fees charged to pay by phone to avoid disconnection of utility services.

Payroll Disbursements

One employee in the County Auditor's office was responsible for entering pay rates; entering hours worked; recording leave time earned and used; calculating and posting the wages; issuing checks; making direct deposit payments for wages, tax payments, and payroll deductions; printing reports of payroll disbursements for review and approval; and preparing 941 reports, retirement reports, and W-2s. There was no evidence of an oversight, review, or approval process to prevent, or detect and correct, errors in a timely manner.

Differences were noted between the amounts withdrawn from the bank and the amounts reported on the Annual Financial Report - Expenditures Statement report for federal, state, and county tax withholdings; Social Security; and PERF. The total amount withdrawn from the bank for federal, state, and county tax withholdings, and Social Security exceeded the total amount on the Annual Financial Report - Expenditures Statement by \$27,754. The total amount reported on the Annual Financial Report - Expenditures Statement for PERF exceeded the total amount withdrawn from the bank by \$12,727.

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
CRAWFORD COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

Sales taxes that are paid on qualifying purchases by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

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 County Auditors of Indiana, Chapter 1)

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 County Auditors of Indiana, Chapter 1)

ANNUAL FINANCIAL REPORT

A similar comment appeared in prior Report B53552, entitled *INTERNAL CONTROLS*.

Condition and Context

The County did not have a proper system of internal controls in place over financial close and reporting to prevent, or detect and correct, errors in the financial statement. Due to the lack of effective internal 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 (AFR) and the financial statement, material errors remained undetected.

The AFR for 2019 was materially incorrect and did not accurately reflect the transactions and balances of the County funds. As a result, receipts were understated by \$6,955,380; disbursements were understated by \$6,997,194; and the beginning cash and investments balance was understated by \$154,951. The material understatements of receipts and disbursements was due to the incorrect reporting of the Settlement fund. In addition, the amounts submitted on the Supplemental Annual Financial Reports for the Crawford County Treasurer fund, Inmate Trust Fund, and Crawford County Tourism Bureau fund, by the respective departments, were not accurately reported by the County Auditor in Gateway.

Audit adjustments were proposed, approved by the County Auditor, and made to the County's financial statement presented in the Financial Statement Audit Report.

COUNTY AUDITOR
CRAWFORD COUNTY
AUDIT RESULTS AND COMMENTS
(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. . . ."

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](#)."

The supplemental annual report forms are submitted by other county offices and departments to be used by the county auditor to provide complete financial information for the annual report by reporting financial activity that is maintained outside of the county auditor's system. The supplemental annual reports are only to be submitted with financial activity that is not eventually accounted for in the county's general ledger system. (The County Bulletin and Uniform Compliance Guidelines, January 2014)

CAPITAL ASSETS

A similar comment appeared in prior Report B53552, entitled *CAPITAL ASSETS*.

Condition and Context

The County had not properly maintained a complete inventory of capital assets owned. No detailed capital assets ledger was presented for audit.

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)

COUNTY AUDITOR
CRAWFORD COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

MVH RESTRICTED FUND

Condition and Context

The County allocated at least 50 percent of the MVH distributions to be used for construction, reconstruction and preservation of the County's highways to the MVH Restricted fund. However, 3 of 10 MVH Restricted fund disbursements were for maintenance expenditures that no longer count toward the 50 percent requirement.

Criteria

Indiana Code 8-14-1-4(b) states: "For funds distributed to a county from the motor vehicle highway account, the county shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the county's highways."

COUNTY AUDITOR
CRAWFORD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 15, 2020, with Christian Howell, County Auditor; Morton Dale, President of the Board of County Commissioners; Dan Crecelius, Vice President of the Board of County Commissioners; Chad Riddle, President of the County Council; and Mark Stevens, Vice President of the County Council.

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COUNTY TREASURER
CRAWFORD COUNTY

COUNTY TREASURER
CRAWFORD COUNTY
AUDIT RESULT AND COMMENT

BANK ACCOUNT RECONCILIATIONS

A similar comment appeared in a Management Letter addressed to the County Treasurer for the audit period ending December 31, 2018.

Condition and Context

Depository reconciliations of the County Treasurer's bank account balances to the Treasurer's Daily Balance of Cash and Depositories, Form 47 (Cash Book), and the County Auditor's fund ledger were conducted monthly. The adjusted bank balance agreed to the total reported on the Cash Book as of December 31, 2019; however, there were numerous reconciling items that date back to 2017 that have remained uncorrected on the bank reconciliation. In addition, the adjusted bank balance exceeded the County Auditor's fund ledger balance by \$155,280 as of December 31, 2019.

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 County Treasurers of Indiana, Chapter 1)

CRAWFORD COUNTY TREASURER'S OFFICE
715 JUDICIAL PLAZA DRIVE
ENGLISH IN 47118
KELLI SLAUGHTERBACK, TREASURER
JANICE MITCHELL, 1ST DEPUTY
812-338-2651
FAX 812-338-3760

September 21, 2020

Indiana State Board of Accounts

RE: Response to Audit

To Whom It May Concern:

I am writing this letter of response to the Audit results and comments I was given on 9-21-20.

It was noted that the monthly comparison report verifies that the auditor and treasurer does not balance for December 2019. This report is printed every month by the Treasurer and given to the Auditor. The first deputy in the Treasurer's office performs internal audits and controls and balances the fund ledger on the cash book on the last day of the month to the monthly comparison report. It balances to the penny every single month. Any discrepancies are noted and maintained in the Treasurer's office and reported to the Auditor's office.

If corrections are to be made on the Treasurer's side (cash book or bank errors) they are made in a timely manner before the end of the next month and new report is generated.

The deputy treasurer has developed a spreadsheet that has an itemized listing of all items we are carrying that are used to balance the Auditor and the Treasurer. All discrepancies are identified by the deputy treasurer every single month before moving forward to the next month.

I feel as treasurer this is an adequate response to this matter as noted by the State Board of Accounts and as custodian of the bank and not keeper of the funds nor payroll clerk, this is all we can do as we do not have access to the software to correct the fund side of the issues at hand.

Thank you for your time in this matter.

Sincerely,

Kelli R. Slaughterback,
Crawford County Treasurer

COUNTY TREASURER
CRAWFORD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 21, 2020, with Kelli R. Slaughterback, County Treasurer.

The contents of this report were also discussed on September 15, 2020, with Morton Dale, President of the Board of County Commissioners; Dan Crecelius, Vice President of the Board of County Commissioners; Chad Riddle, President of the County Council; and Mark Stevens, Vice President of the County Council.

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COUNTY HIGHWAY DEPARTMENT
CRAWFORD COUNTY

COUNTY HIGHWAY DEPARTMENT
CRAWFORD COUNTY
AUDIT RESULT AND COMMENT

MVH RESTRICTED FUND

Condition and Context

The County allocated at least 50 percent of the MVH distributions to be used for construction, reconstruction and preservation of the County's highways to the MVH Restricted fund. However, 3 of 10 MVH Restricted fund disbursements were for maintenance expenditures that no longer count toward the 50 percent requirement.

Criteria

Indiana Code 8-14-1-4(b) states: "For funds distributed to a county from the motor vehicle highway account, the county shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the county's highways."

COUNTY HIGHWAY DEPARTMENT
CRAWFORD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 15, 2020, with Ernie Keck, Sr., County Highway Superintendent; Morton Dale, President of the Board of County Commissioners; Dan Crecelius, Vice President of the Board of County Commissioners; Chad Riddle, President of the County Council; and Mark Stevens, Vice President of the County Council.

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BOARD OF COUNTY COMMISSIONERS
CRAWFORD COUNTY

BOARD OF COUNTY COMMISSIONERS
CRAWFORD COUNTY
AUDIT RESULT AND COMMENT

CAPITAL ASSETS

Condition and Context

The County had not adopted a capital assets policy that established a dollar threshold for capital asset purchases for inclusion on a detailed capital assets ledger. No detailed capital assets ledger was presented for audit.

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 Counties of Indiana, Chapter 1)

BOARD OF COUNTY COMMISSIONERS
CRAWFORD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 15, 2020, with Morton Dale, President of the Board of County Commissioners; Dan Crecelius, Vice President of the Board of County Commissioners; Chad Riddle, President of the County Council; and Mark Stevens, Vice President of the County Council.

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COUNTY TOURISM COMMISSION
CRAWFORD COUNTY

COUNTY TOURISM COMMISSION
CRAWFORD COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS AND CONDITION OF RECORDS

Condition and Context

There were deficiencies in the internal control system related to the Crawford County Tourism Commission (Commission). The Commission had not separated incompatible activities related to cash and investments, receipts, and disbursements. The failure to establish these internal controls could enable material misstatements or irregularities to occur and remain undetected.

As a result of the lack of internal controls, the following deficiencies were noted:

1. The Depository reconciliations of the Commission fund balances to the bank account balances were not presented for any month during the audit period.
2. The Commission records are maintained in Quickbooks; however, a ledger was not presented for audit.
3. The Commission claim forms contained the signature of the Office Manager and the County Treasurer; however, the claim forms are signed by the County Treasurer using a signature stamp that is maintained by the Office Manager. There was no evidence of approval of claims by the Commission Board during their monthly meetings.
4. The Commission checks are processed by the Office Manager. The checks are signed by the County Treasurer using a signature stamp that is maintained by the Office Manager.

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:

COUNTY TOURISM COMMISSION
CRAWFORD COUNTY
AUDIT RESULT AND COMMENT
(Continued)

"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.

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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)

The decision on whether the number of items to be signed justifies the use of a rubber stamp or other device, including computer image signatures, for affixing a signature must be made by each official responsible for signing warrants, claims, and other official documents. A rubber stamp or other signing device should be used only under the direction of the official and should be properly safeguarded when not in use. Each official is responsible for their own signature. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY TOURISM COMMISSION
CRAWFORD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 22, 2020, with James Taylor, County Tourism Commission Treasurer, and Mark Stevens, Vice President of the County Tourism Commission.

The contents of this report were also discussed on September 15, 2020, with Morton Dale, President of the Board of County Commissioners; Dan Crecelius, Vice President of the Board of County Commissioners; Chad Riddle, President of the County Council; and Mark Stevens, Vice President of the County Council.