

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

DEKALB COUNTY, INDIANA

January 1, 2019 to December 31, 2019



**FILED**  
10/14/2020



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## SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Jan Bauman	01-01-19 to 12-31-20
County Treasurer	Sandra Wilcox	01-01-19 to 12-31-20
Clerk of the Circuit Court	Holly Albright	01-01-19 to 12-31-20
County Sheriff	David G. Cserep	01-01-19 to 12-31-20
County Recorder	Katie Firestone	01-01-19 to 12-31-20
President of the Board of County Commissioners	Donald D. Grogg William L. Hartman	01-01-19 to 12-31-19 01-01-20 to 12-31-20
President of the County Council	Richard Ring	01-01-19 to 12-31-20
County Home Director	Don Pierson	01-01-19 to 12-31-20
Chair of the Drainage Board	Randall J Deetz	01-01-19 to 12-31-20



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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Telephone: (317) 232-2513  
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TO: THE OFFICIALS OF DEKALB COUNTY, INDIANA

This report is supplemental to our audit report of DeKalb 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

September 24, 2020

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COUNTY HOME  
DEKALB COUNTY

COUNTY HOME  
DEKALB COUNTY  
AUDIT RESULT AND COMMENT

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

The same comment also appeared in prior Report B53640.

*Condition and Context*

The County Home did not have a proper system of internal controls in place over financial transactions and reporting to prevent, or detect and correct, errors.

The County Home Director had not separated incompatible activities related to financial transactions of the County Home. One individual was responsible for recording receipt and disbursement transactions, and reconciling bank accounts to the records. There were no controls in place, such as an oversight, review, or approval process, over the recording of receipt and disbursement transactions or bank reconcilements.

Due to the lack of controls, the following issues were identified:

- The County Home did not adequately maintain a County Home Resident's Maintenance Ledger. The County Home uses Quicken Software to account for the Residents' Trust funds, in place of the prescribed form (County Form 77B). This accounting software's design can allow changes to a transaction file to occur without showing evidence of the transactions changes. A good design will not allow changes to a transaction file to occur unless done through an application that tracks changes.
- The documentation to support the financial information provided to the County Auditor for submission in the County's Annual Financial Report did not agree to the County Home's records; therefore, the Residents' Trust fund was removed from the County's financial statement.
- The County Home individual resident account balances (subsidiary ledgers), Residents' Trust (control ledger), and reconciled bank balances were not in agreement for any month during the audit period due to the incomplete and inaccurate records.

The lack of controls and noncompliance were systemic issues throughout the audit period.

*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 HOME  
DEKALB 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.

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. . . ."

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

The accounting application should provide extensive data editing, validation, and change capability upon input and before a transaction is posted to an account, but no ability to change data after it is posted. If an error is discovered after the transaction is posted, a separate correcting transaction must be made in the accounting period that it is discovered. Under no circumstances must an error be corrected in a year that has been closed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Political Subdivisions - Information Technology)

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 HOME  
DEKALB COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 24, 2020, with Don Pierson, County Home Director; William L. Hartman, President of the Board of County Commissioners; Richard Ring, President of the County Council; and Jan Bauman, County Auditor.

COUNTY SHERIFF  
DEKALB COUNTY

COUNTY SHERIFF  
DEKALB COUNTY  
AUDIT RESULT AND COMMENT

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

*Condition and Context*

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

*Lack of Segregation of Duties - Jail Commissary*

The County Sheriff's department had not separated incompatible activities related to the financial transactions of the Jail Commissary. The Matron was solely responsible for reconciling daily cash collections, preparing and making the bank deposits, and recording receipts to the financial records without documented controls in place, such as an oversight, review, or approval process. Invoices for the Jail Commissary are paid by, and recorded in the financial records by, the Matron without a documented control in place, such as an oversight, review, or approval process.

*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. Jailers received and receipted the initial funds from inmates when inmates were incarcerated and wrote checks to the inmates when they were released. All other receipts and disbursements were processed by the Matron. Disbursements from the Inmates' accounts for Commissary purchases are made by the Matron without a documented review or approval process. The Matron was responsible for reconciling daily cash collections and recording receipts and disbursements in the financial records. There were no documented controls in place, such as an oversight, review, or approval process, over recording receipts and disbursements in the financial records.

*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. . . ."



**David G. Cserep II**  
*Sheriff of DeKalb County*

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OFFICIAL RESPONSE

Date: 7<sup>th</sup> October 2020

Indiana State Board of Accounts  
302 West Washington St. Room E418  
Indianapolis, IN 46204-2765

View of Responsible Official:

The DeKalb County Sheriff's Office maintains a constant check and balance system of all funds that enter the office. All financial processes have oversight of the Sheriff. All of those processes have 2<sup>nd</sup> and 3<sup>rd</sup> order checks and balances. Not all of those 2<sup>nd</sup> and 3<sup>rd</sup> order checks and balances have written documentation as requested by the State Board of Account.

Description of Corrective Action Plan: The DeKalb County Sheriff's Office, (the Sheriff) will start written documentation on all checks and balances as recommended by the State Board of Accounts and in accordance with written State and Federal guidelines to ensure the Sheriff's Office maintains our current 100% accountability review by the State Board of Accounts on our financials.

Sincerely,

David G. Cserep II  
Sheriff  
DeKalb County Sheriff's Office

215 E. 8th Street · Auburn, IN 46706-2334  
Office: 260-925-3365 Fax: 260-925-2661

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*"An Equal Opportunity Employer"*

COUNTY SHERIFF  
DEKALB COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 24, 2020, with David G. Cserep, Sheriff; Michelle Cserep, Matron; William L. Hartman, President of the Board of County Commissioners; Richard Ring, President of the County Council; and Jan Bauman, County Auditor.