

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BOONE COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED
11/16/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Heather Myers Debbie Morton-Crum	01-01-19 to 03-06-20 03-07-20 to 12-31-20
County Treasurer	Debbie Ottinger	01-01-19 to 12-31-20
Clerk of the Circuit Court	Jessica Fouts	01-01-19 to 12-31-20
County Sheriff	Mike Nielsen	01-01-19 to 12-31-20
County Recorder	Nikki Baldwin	01-01-19 to 12-31-20
President of the Board of County Commissioners	Jeff Wolfe Don Lawson	01-01-19 to 12-31-19 01-01-20 to 12-31-20
President of the County Council	Steve Jacob	01-01-19 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF BOONE COUNTY, INDIANA

This report is supplemental to our audit report of Boone 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 30, 2020

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COUNTY AUDITOR
BOONE COUNTY

COUNTY AUDITOR
BOONE COUNTY
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

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

Condition and Context

The 2019 Annual Financial Report (AFR) submitted by the County contained material misstatements in receipts and disbursements. The submitted AFR by the County did not contain required financial activity for the Clerk of the Circuit Court, County Sheriff, and County Treasurer offices. Receipts and disbursements were understated by \$13,194,468 and \$10,266,297, respectively. The beginning cash and investment balances of the AFR were understated by \$4,669,066.

Criteria

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 RECORDS DO NOT RECONCILE WITH COUNTY TREASURER RECORDS

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

Condition and Context

During the audit period, the County Treasurer's Cash Book - Funds Ledger was unable to be reconciled with the County Auditor's funds ledger. The County Auditor's funds ledger's cash balance was \$7,756,465 more than the Cash Book's cash balance. Reconciliations between the County Treasurer and County Auditor records were not completed for any months of the audit period.

Criteria

At the close of each calendar month a Monthly Financial Statement, County Form No. 61, shall be prepared, showing the financial transactions for the month and year to date, for each fund and in total.

The county treasurer is also required to independently prepare a Monthly Financial Statement on the same form and the two statements must be reconciled. If any differences exist between the records of the auditor and the treasurer, they must be identified and immediate steps taken to bring the records of the two offices into agreement.

The statements are prescribed to be placed in a post-binder and shall be carefully preserved as a permanent record. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

COUNTY AUDITOR
BOONE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSETS

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

Condition and Context

The County has not properly maintained a complete inventory of capital assets owned. The County has not maintained a complete detailed capital asset listing based on a historical cost basis. A capital asset policy detailing the threshold at which an item is considered a capital asset was not adopted by the County.

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)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

There were several deficiencies in the internal control system of the County Auditor's office related to financial transactions and reporting, receipts, and financial close and reporting.

Financial Transactions and Reporting

The County had established internal controls related to the compilation and approval of the Annual Financial Report. However, the internal controls were not properly implemented, which allowed material misstatements to go undetected.

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

Receipts

The County had established internal controls related to receipts; however, the internal controls were not properly implemented. The lack of properly implemented internal controls allowed 16 percent of state distributions to the County not to be posted in a timely manner.

Financial Close and Reporting

There were no documented internal controls in place to ensure that the County Auditor's funds ledger was reconciled with the County Treasurer's monthly financial report, nor with the County Treasurer's Cash Book - Funds Ledger balance. The lack of internal controls allowed material variances to occur between the County Treasurer's Cash Book and the County Auditor's funds ledger.

COUNTY AUDITOR
BOONE 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:

"The control environment is the basic commonality for all and comprises the integrity and ethical values of the political subdivision established by the oversight body and management. The standards, processes, and structures which form the control environment pervasively impact the overall system of internal control. The oversight body and management convey leadership expectations, and overall tone which are reinforced by all officials and management throughout the various offices and departments. The control environment also contains the overall accountability structure for all employees through performance and reward measures. Within this structure, leadership demonstrates commitment to the political subdivision by having a process for attracting, developing, and retaining competent individuals. This component is static in that its underpinnings do not generally change with a given objective. . . .

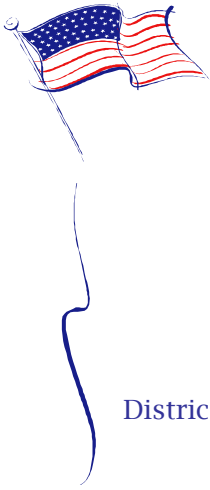
Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention 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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."



BOONE COUNTY BOARD OF COMMISSIONERS

116 West Washington Street

Room 103

Lebanon, IN 46052

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District 1: Tom Santelli | District 2: Donald Lawson | District 3: Jeff Wolfe

OFFICIAL RESPONSE TO THE STATE BOARD OF ACCOUNTS 2019 AUDIT BOONE COUNTY, INDIANA

We are in receipt of the Financial Statement Audit Report of Boone County for the 2019 fiscal year (“2019 County Audit”) and participated in the exit interview on September 30, 2020. The specific findings raised in the Audit and exit interview will be discussed below. Pursuant to I.C. 5-11-5-1(b) this Official Response is filed within ten days of the exit interview and shall become a part of the examination report.

During the Audit period, the elected Boone County Auditor was Heather Myers (“Myers”). Myers was the subject of a separate Special Investigation Report conducted by the State Board of Accounts (“Special Investigation”) which included the time period of the 2019 County Audit. Several irregularities were found in the Special Investigation relating to misfeasance or malfeasance of Myers in the performance of her duties. Myers resigned as Auditor in March of 2020. None of the findings set forth in the 2019 County Audit were included in the Special Investigation, but are a direct result of the neglect or misfeasance of Myers. These instances of misconduct will be detailed below.

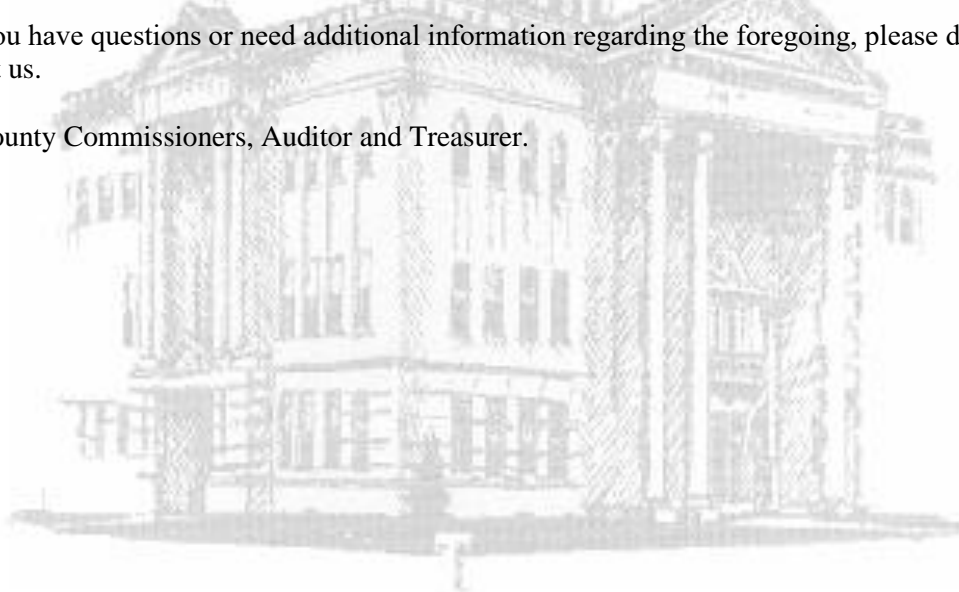
1. FINDING 2019-003 (Federal). Prior to the fall of 2019, two employees of the Auditor’s Office performed all the record keeping for federal grants. They would send a spread sheet to the office/department administering the grant proceeds, ask them to complete it, and then compare it to the entries in the County’s financial software (“CYMA”). If there were any discrepancies, they would meet with the applicable office/department to resolve them, then upload the information to Gateway. In the fall of 2019, Myers, without explanation, decided to take over the record keeping for all the grants. She did not ask for, or receive, any guidance or advice on the procedure set forth above. The spread sheets were sent to the various offices/departments and returned. However, Myers never reconciled them to CYMA, nor did she upload them to Gateway. This failure to follow established procedure by Myers is the direct cause of all the items set forth in Finding 2019-03.
2. FINDING 2019-01 (State). Financial Transactions and Reporting.
 - A. Supplemental Funds are funds that are maintained by an office or department and are submitted to Gateway by the Auditor at the end of each year. The Boone County Sheriff maintains Commissary and Inmate Trust accounts, and the Boone County Clerk maintains a Clerk’s Trust Account and administers the ISETS (Child Support) account. At the end of each

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Boone County -The County that Cares

- year, the Auditor provides those offices with a form entitled “Supplemental Annual Financial Report” that the designated officeholder completes and returns to the Auditor for uploading into Gateway. Myers had completed this task in previous years but failed to perform it in 2019, resulting in the findings set forth in Nos. 1, 2, 3, 5 and 7.
- B. Resolution 2019-03 was adopted by the Boone County Council on July 9th 2019. The Resolution ordered the closure of Drug Buy Money Fund (due to inactivity) and the transfer of those funds to County General. The dictates of the Resolution were carried out by the Auditor. The finding set forth in item No. 4 should be removed as it is clearly in error (see attached Exhibit).
 - C. As to Finding No. 6, Boone County has engaged an independent financial consultant to resolve the discrepancies in the Treasurer and Auditor books and accounts. Part of her duties include to balance the books for 2019 and establish procedures to ensure that proper financial reporting will occur in the future.
 - D. As to Finding No. 8, Myers simply failed to transfer the stated funds from the Commissioners line for health insurance to the Employee Health Fund.
 - E. As to Findings 9-13, Boone County IT is working on a solution. The funds listed in 9-12 are holding accounts for various employee withholdings and are to be transferred to the Payroll Clearing fund (13) when the funds are remitted to the respective payees. The financial software (CYMA) will require some additional programming to adequately address the Finding and the County’s IT team is diligently pursuing the appropriate remedy.

Should you have questions or need additional information regarding the foregoing, please don’t hesitate to contact us.

Boone County Commissioners, Auditor and Treasurer.



The above referenced 'Exhibit' is available for review from the State Board of Accounts upon request.

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COUNTY AUDITOR
BOONE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 30, 2020, with Debbie Morton-Crum, County Auditor; Debbie Ottinger, County Treasurer; Jeff Wolfe, County Commissioner; Tom Santelli, County Commissioner; Elise Nieshalla, Vice President of the County Council; Bob Clutter, County Attorney; and Katie Westerfield, Deputy County Auditor.

The contents of this report were discussed on October 22, 2020, with Heather Myers, former County Auditor.

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COUNTY TREASURER
BOONE COUNTY

COUNTY TREASURER
BOONE COUNTY
AUDIT RESULTS AND COMMENTS

COUNTY AUDITOR RECORDS DO NOT RECONCILE WITH COUNTY TREASURER RECORDS

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

Condition and Context

During the audit period, the County Treasurer's Cash Book - Funds Ledger was unable to be reconciled with the County Auditor's funds ledger. The County Treasurer's Cash Book's cash balance was \$7,756,465 less than the County Auditor's funds ledger's cash balance. Reconciliations between the County Treasurer and County Auditor records were not completed for any months of the audit period.

Criteria

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 Monthly Financial Statement, Form 61, is a permanent record prepared from the treasurer's funds ledger at the close of each month. It is prepared after all postings to the ledger have been completed for the month and reflects the total receipts and disbursements and the balance for each fund for the month and for the year to date. The statement must agree with a similar statement kept by the county auditor, giving consideration to any adjustments required to reconcile the ledgers of the two offices. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 5)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

There were several deficiencies in the internal control system of the County Treasurer's office related to cash and investments and receipts.

Cash and Investments

Internal controls related to cash and investments were not properly implemented. The County Treasurer did not complete the December 2019 bank reconciliation for the County's primary bank account.

COUNTY TREASURER
BOONE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Receipts

During the testing of the 2019 state distributions to the County, it was determined that 41 distributions, or 16 percent, were not receipted in a timely manner. There were not sufficient controls in place over the communication between the Treasurer and the Auditor regarding the state distributions which were deposited into the county's bank account, to ensure the ACH payments were properly receipted into the county funds. Additionally, there were insufficient controls over the tracking and reconciling of these ACH deposits by the Treasurer's office to ensure that all deposits were posted properly. The lack of internal controls allowed some receipts to not be receipted in for 190 days.

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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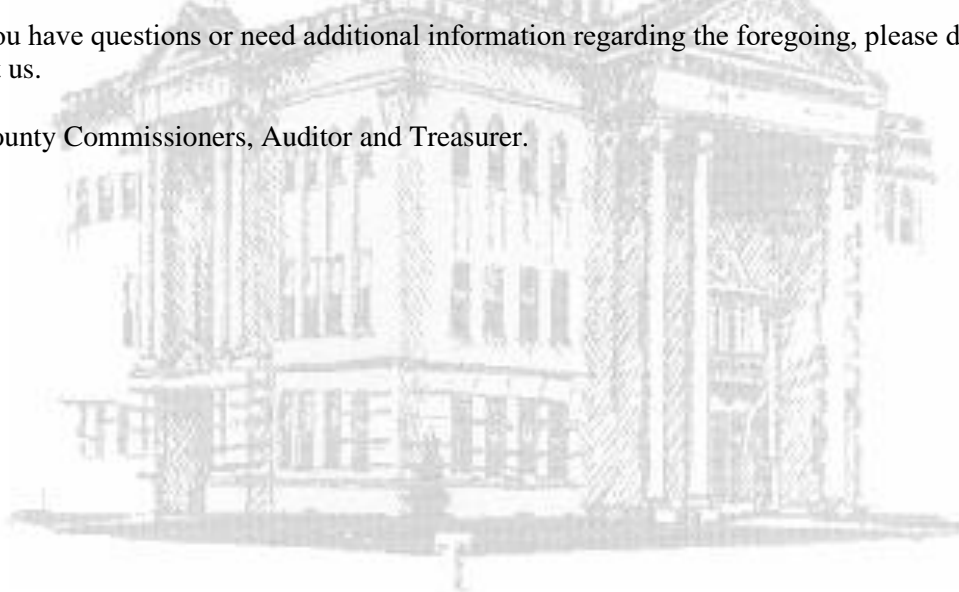
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