

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CLINTON COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED
09/14/2021

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---|---|--|
| County Auditor | Britt A. Ostler | 01-01-20 to 12-31-21 |
| County Treasurer | Carol Bartley (Vacant) Gina Brettnacher (interim) Gina Brettnacher | 01-01-20 to 03-13-20 03-14-20 to 03-15-20 03-16-20 to 05-15-20 05-16-20 to 12-31-21 |
| Clerk of the Circuit Court | Rhea A. Harris | 01-01-20 to 12-31-21 |
| County Sheriff | Rich Kelly | 01-01-20 to 12-31-21 |
| County Recorder | Elizabeth J. Keeney | 01-01-20 to 12-31-21 |
| President of the Board of County Commissioners | Josh Uitts | 01-01-20 to 12-31-21 |
| President of the County Council | Alan Dunn | 01-01-20 to 12-31-21 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF CLINTON COUNTY, INDIANA

This report is supplemental to our audit report of Clinton County (County), for the period from January 1, 2020 to December 31, 2020. 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 1, 2021

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COUNTY AUDITOR
CLINTON COUNTY

COUNTY AUDITOR
CLINTON COUNTY
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

The County had not established internal controls over the financial information entered in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Annual Financial Report (AFR). The AFR is used to compile the financial statement presented in this report. The County did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the AFR. The County Auditor submitted the AFR; however, there was no evidence of an oversight, review, or approval process.

Due to the lack of internal controls, the financial statement presented for audit included the following errors:

1. The Community Corrections - 1123 fund beginning balance was understated by \$286.
2. The Cumulative Bridge fund beginning balance was understated by \$500,001.
3. The Emergency Medical Services fund beginning balance was understated by \$2,578.
4. The Community Corrections - 1126 fund beginning balance was overstated by \$8,096 and receipts were understated by \$8,096.
5. The Project Income 2020 fund beginning balance was overstated by \$395,031 and receipts were understated by \$395,031.
6. The Emergency Medical Services fund receipts and disbursements were understated by \$504.
7. The Settlement fund receipts and disbursements were understated by \$2,116,456.
8. The Financial Institution Tax fund receipts and disbursements were understated by \$108,926.

Audit adjustments were proposed, accepted by the County, and made to the financial statement presented in this report.

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 AUDITOR
CLINTON COUNTY
AUDIT RESULTS AND COMMENTS
(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 5-11-1-4(a) states:

"The state examiner shall require from every audited entity 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](#)."

ACCOUNTING FOR CORONAVIRUS RELIEF FUNDS

Condition and Context

The County did not properly account for the Coronavirus Relief Fund in accordance with the options outlined in State Examiner Directive 2020-3 (Directive).

The County did not follow one of the three defined frameworks as outlined in the Directive for their non-payroll related expenditures. The reimbursement from the Indiana Finance Authority for non-payroll expenditures, totaling \$82,306, was receipted directly into the various funds from which the original expenditures were made, instead of the CARES Act Salary Reimbursement fund (Fund 8904).

The noncompliance described above was isolated to non-payroll expenses, as the payroll reimbursement was accounted for as outlined in the Directive. Additionally, the amount reported on the County's Schedule of Expenditures of Federal awards was accurate.

Criteria

State Examiner Directive 2020-3 states in part:

"Reimbursed Costs Other than Public Health and Safety Payroll Costs"

Transactions for other permitted costs reimbursed by IFA must be accounted for through one of the following prescribed frameworks.

Framework One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. Reimbursed disbursements originally incurred in another fund will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the fund cash balance and re-appropriate the fund in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the original fund, it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section. . . .

COUNTY AUDITOR
CLINTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Framework Two. If IFA has provided reimbursement based on unpaid invoices or purchase orders, then reimbursements received from IFA shall be receipted into the separate CARES grant fund. The expenditures to vendors will be made through the CARES grant fund and these expenditures must match the application made to IFA. If the actual invoice or invoices relating to a purchase order is less than the purchase order, then the difference in the money expended to the vendor and the amount received for the purchase order from IFA must be returned to IFA. The items on the invoice must match the items on the purchase order. All documentation must be maintained. . . .

Framework Three. If you have created a negative balance in your CARES fund based on expenditures made in anticipation of receipt of reimbursement for allowable expenditures where invoices have already been submitted to IFA then leave as is and receipt reimbursement when received, bringing the balance in the separate CARES grant fund to zero. Going forward, expend any anticipated allowable expenditures from a fund with an appropriation and follow framework one. If a negative balance in the CARES grant fund is not fully reimbursed, then the unreimbursed amount will require a reverse entry and posting of the expenditure to the general or other appropriate fund within an appropriated line item. . . ."

COUNTY AUDITOR
CLINTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 1, 2021, with Britt A. Ostler, County Auditor; Josh Uitts, President of the Board of County Commissioners; Mike Hensley, County Council member; Jeff Chynoweth, County Council member; and Clark Beard, County Council member.

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COUNTY TREASURER
CLINTON COUNTY

COUNTY TREASURER
CLINTON COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER CASH AND INVESTMENTS

Condition and Context

There were deficiencies in the internal control system of the County Treasurer related to cash and investments. The County Treasurer had not separated incompatible activities related to cash and investments. The County Treasurer completed the monthly bank reconciliations for the audit period; however, there was no evidence of another employee reviewing the reconciliation or other compensating internal controls.

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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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. . . ."

Office of Clinton County Treasurer

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gbrettnacher@clintonco.com www.clintonco.com

OFFICIAL RESPONSE

Date: 9/1/21

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

Re: Audit finding

Views of Responsible Official: I do agree that my First Deputy was not looking over and signing off on the bank reconciliations. As the previous Frist Deputy, I did know that this needed to be done. My current First Deputy was not hired until June 2020. From March 2020 to June 2020 I was the only person in the office capable of doing the financials. I was more concerned in getting everything done on a daily basis and keeping the office running that unfortunately this step got over looked.

Description of Corrective Action: Have the First Deputy look over and sign off on all the bank reconciliations. Make sure everything is dated. This has already been corrected for 2021.

Gina Brettnacher
Clinton County Treasurer

COUNTY TREASURER
CLINTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 1, 2021, with Gina Brettnacher, County Treasurer; Britt A. Ostler, County Auditor; Josh Uitts, President of the Board of County Commissioners; Mike Hensley, County Council member; Jeff Chynoweth, County Council member; and Clark Beard, County Council member.