

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SCOTT COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED
09/23/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Tammy Stout Johnson	01-01-20 to 12-31-21
County Treasurer	Sheryl Jent Missy Applegate	01-01-20 to 12-31-20 01-01-21 to 12-31-21
Clerk of the Circuit Court	Missy Applegate Wendy McClain	01-01-20 to 12-31-20 01-01-21 to 12-31-21
County Sheriff	Jerry D. Goodin	01-01-20 to 12-31-21
County Recorder	Marilyn S. Kundysek Sheryl Jent	01-01-20 to 12-31-20 01-01-21 to 12-31-21
President of the Board of County Commissioners	Robert Tobias Mike Jones	01-01-20 to 12-31-20 01-01-21 to 12-31-21
President of the County Council	Mike Zollman Rachael Hardin	01-01-20 to 12-31-20 01-01-21 to 12-31-21



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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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, 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 16, 2021

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COUNTY AUDITOR
SCOTT COUNTY

COUNTY AUDITOR
SCOTT COUNTY
AUDIT RESULT AND COMMENT

CAPITAL ASSETS

Condition and Context

The County did not properly maintain capital asset records. Additions and deletions during the audit period had not been properly recorded and a physical inventory had not been taken in the past two years. Some assets listed had been recorded using insurance valuation figures instead of their acquisition value.

On March 17, 2021, the County contracted with a consulting firm to perform the appropriate and necessary services required by the County for meeting the Indiana State Board of Accounts requirements regarding County owned capital assets.

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)

COUNTY AUDITOR
SCOTT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 16, 2021, with Tammy Stout Johnson, County Auditor; Mike Jones, President of the Board of County Commissioners; Rachael Hardin, President of the County Council; John Lizenby, County Commissioner; and Teresa Vannarsdall, Deputy County Auditor.

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COUNTY TREASURER
SCOTT COUNTY

COUNTY TREASURER
SCOTT COUNTY
AUDIT RESULT AND COMMENT

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS
AND REPORTING - COUNTY TREASURER**

Repeat Finding

A similar comment also appeared in the prior Reports B51387, entitled *FINDING 2017-003*, B53295, entitled *FINDING 2018-003*, and B55649, entitled *INTERNAL CONTROLS OVER CASH AND INVESTMENTS*.

Condition and Context

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

1. There was no evidence presented to ensure that the posting and reconciling of the Form 47 (Cash Book) was being posted and balanced daily.
2. The Cash Book was not completely reconciled to the bank statements on a monthly basis. There was no audit evidence presented to indicate internal controls were established to ensure that the monthly bank reconciliations were complete and accurate. A review of the December 31, 2020 reconciliation included the following errors that had not been detected during the reconciliation process:
 - A receipt for \$1,136,787 had been posted to the County Auditor's ledger in December 2020 but was not deposited in the bank by the County Treasurer until February 2021.
 - Three ACH distributions for the Auditor of State Distributions (one in August and two in September) totaling \$24,506 were not posted to the County Auditor's ledger until July 2021.
 - Five ACH payroll related items totaling \$208,239 were posted to the ledger in December 2020 but were not deposited in the bank until January 2021.
 - One check for \$32,401 was erroneously listed on the outstanding check list, but had previously cleared the bank.

As of December 31, 2020, the total cash and investments per the Cash Book indicated a cash (long) necessary to balance of \$52,462.

3. Internal controls over the Supplemental CAR-1 were not effective. The amounts reported for the activity of the After Settlement Collections fund were incorrect as a result of using incorrect calculations.

The lack of internal controls and noncompliance were systemic problems 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 TREASURER
SCOTT 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. . . ."

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."

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

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)

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](#)."

The county treasurer will reflect on the supplemental annual report as the beginning balance the previous year's ending balance. The disbursements column will be the same as the beginning balance. This has the effect of reversing out the prior year activity. The amount for receipts and ending balance is arrived at by taking the ending balance on the treasurer's daily cash balance sheet for the current December 31, balance of taxes to be settled + total other sources. (County Bulletin, January 2014)

COUNTY TREASURER
SCOTT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 16, 2021, with Missy Applegate, County Treasurer; Tammy Stout Johnson, County Auditor; Mike Jones, President of the Board of County Commissioners; Rachael Hardin, President of the County Council; John Lizenby, County Commissioner; and Teresa Vannarsdall, Deputy County Auditor.

COUNTY SHERIFF
SCOTT COUNTY

COUNTY SHERIFF
SCOTT COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING - COUNTY SHERIFF

Repeat Finding

A similar comment also appeared in prior Reports B53295, entitled *FINDING 2018-004*, and B55649, entitled *INTERNAL CONTROLS OVER COMMISSARY AND INMATE TRUST FUNDS*

Condition and Context

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

Sheriff's Commissary Fund

Internal controls were not in place to ensure transactions of the commissary funds were being posted timely. During 2020, there was no ledger being maintained to account for the transactions and balances of the commissary funds. A ledger with transactions and balances was subsequently compiled and presented for audit on August 6, 2021.

Internal controls were not in place to ensure depository reconciliations were being performed monthly. During the audit period, depository reconciliations of the fund balance to the bank account balances were not performed. Monthly reconciliations were subsequently performed and presented for audit on August 6, 2021.

Internal controls over disbursements were not effective in preventing or detecting and correcting errors. Multiple issues were identified during the testing of disbursements. From a sample of 54 disbursements, 15 instances were noted in which disbursements did not contain evidence of proper approval, and 9 disbursements totaling \$580 did not have supporting documentation. The monetary error for the lack of supporting documentation was projected to the population for the Sheriff's Commissary fund and an overall projected misstatement of \$10,970 was determined.

Internal controls over the Supplemental CAR-1 report for the Sheriff's Commissary fund were not effective. The amounts reported were incorrect. The amounts reported were bank account transaction using bank statements instead of the financial ledger transactions and balances. The failure to timely maintain the commissary funds ledger contributed to this deficiency.

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

Sheriff's Inmate Trust Fund

Internal controls over monthly depository reconciliation were not effective in preventing, or detecting and correcting, errors. A review of the December 31, 2020 reconciliation noted the following errors: inaccurate deposits in transit totaling \$81,633 that had previously cleared the bank, and inaccurate outstanding checks totaling \$79,117 that had previously cleared the bank.

Internal controls over disbursements were not effective. One employee was responsible for recording disbursements with no oversight, review, or approval process. Additionally, disbursements were not being properly approved.

COUNTY SHERIFF
SCOTT COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Internal controls over the Supplemental CAR-1 report for the Sheriff's Inmate Trust fund were not effective. The amounts reported were incorrect. The transactions and balance reported consisted of only December 2020 activity instead of the activity for the entire year.

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

Sheriff Evidence Fund

Internal controls were not in place to ensure proper recording of the transactions and balances of the evidence funds. The Sheriff Evidence fund was a new fund created during 2020; however, the County Sheriff Department failed to set up and maintain a separate ledger for the fund. Instead of maintaining a ledger, the transaction register attached to their checkbook was being used to record deposits, checks, and current balance.

Internal controls were not in place to ensure depository reconciliations were being performed monthly. During the audit period, depository reconciliations of the fund balance to the bank account balances were not performed.

Internal controls over the Supplemental CAR-1 report for the Sheriff Evidence fund was not effective. The County Sheriff Department failed to prepare a Supplemental CAR-1 report covering the transactions and balances of the Sheriff Evidence fund. Instead, the bank register from the checking account was being used as the record.

The lack of internal controls and noncompliance were systemic problems 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:

"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. . . ."

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 Counties of Indiana, Chapter 1)

COUNTY SHERIFF
SCOTT COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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)

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

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](#)."

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)

DEBIT CARDS

Condition and Context

The County Sheriff Department utilized debit cards without the authorization through an approved ordinance/resolution.

COUNTY SHERIFF
SCOTT COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

The SBOA will not take exception to the use of debit/procurement cards by a unit provided the following criteria are observed:

1. The governing body must authorize debit/procurement card use through an ordinance/resolution, which has been approved in a meeting and documented in the minutes.
2. Issuance and use must be handled by an official or employee designated by the governing body.
3. The purposes for which the debit/procurement card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the debit/procurement card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Debit/procurement cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.

(Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY SHERIFF
SCOTT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 16, 2021, with Jerry Goodin, County Sheriff; Amy Beverly, County Sheriff Department Chief Financial Officer; Patti Combs, County Sheriff Department Chief of Internal Operations; Tammy Stout Johnson, County Auditor; Mike Jones, President of the Board of County Commissioners; Rachael Hardin, President of the County Council; John Lizenby, County Commissioner; and Teresa Vannarsdall, Deputy County Auditor.