

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MARSHALL 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	Julie A. Fox	01-01-20 to 12-31-21
County Treasurer	Angela C. Birchmeier	01-01-20 to 12-31-21
Clerk of the Circuit Court	Deborah P. VanDeMark	01-01-20 to 12-31-21
County Sheriff	Matthew K. Hassel	01-01-20 to 12-31-21
County Recorder	Janet Howard	01-01-20 to 12-31-21
President of the Board of County Commissioners	Kevin G. Overmyer	01-01-20 to 12-31-21
President of the County Council	Judy Stone (Vacant) Tim Harman	01-01-20 to 12-01-20 12-02-20 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 MARSHALL COUNTY, INDIANA

This report is supplemental to our audit report of Marshall 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 8, 2021

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COUNTY AUDITOR
MARSHALL COUNTY

COUNTY AUDITOR
MARSHALL COUNTY
AUDIT RESULT AND COMMENT

FINANCIAL REPORTING

Condition and Context

The County had not established effective internal controls over the preparation of the Annual Financial Report (AFR) entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statement.

Although the County had internal controls in place to review the financial information submitted on the Supplemental County Annual Reports (SCAR) by outside departments that were included in the County's AFR, these internal controls were not effective to ensure the financial information provided was accurate and complete. The SCAR was prepared and provided by the County departments to the County Auditor without supporting documentation.

The lack of effective internal controls resulted in the receipts and disbursements being understated by approximately \$600,000 each for the Sheriff's Inmate Trust Account fund.

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

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 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](#)."



Julie A. Fox
Marshall County Auditor
112 W. Jefferson St., Room 205
Plymouth, IN 46563

Phone: 574-935-8555

Email: julief@co.marshall.in.us

Fax: 574-935-4863

September 8, 2021

Paul Joyce, Sate Examiner
State Board of Accounts
302 West Washington Street
Room E418
Indianapolis, IN 46204-2765

Official Response
January 1, 2020 to December 31, 2020
Marshall County Audit

In response to the State Board of Account Audit Findings regarding the Supplemental County Annual Reports (SCAR) by outside departments included in the AFR, reporting controls were not effective to ensure the financial information provided was accurate and complete. The SCAR were prepared and provided by the County Departments to the County Auditor without supporting documentation. Resulting in receipts and disbursements to be understated by the Sheriff for the Inmate Trust Account.

To implement an effective internal control, outside departments submitting the Supplemental County Annual Reports (SCAR) will submit supporting detailed financial information, including but not limited to detailed ledger, bank statement, reconciliation reports as required by the Auditor.

Sincerely,

Julie A. Fox
Marshall County Auditor

COUNTY AUDITOR
MARSHALL COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 8, 2021, with Julie A. Fox, County Auditor; Kevin G. Overmyer, President of the Board of County Commissioners; and Tim Harman, President of the County Council.

CLERK OF THE CIRCUIT COURT
MARSHALL COUNTY

CLERK OF THE CIRCUIT COURT
MARSHALL COUNTY
AUDIT RESULT AND COMMENT

CLERK'S TRUST ITEMS

Condition and Context

The Clerk of the Circuit Court's (Clerk) office had \$1,525,201 held in trust at December 31, 2020. Of the 25 trust items tested, 15, or 60 percent, were determined to not have been properly distributed as follows:

1. Two trust items had an order to forfeit or apply to fines and fees that were not completed.
2. Four trust items should have been sent to unclaimed property.
3. Nine items should have been forfeited or distributed, but were waiting on an order from the court.

Criteria

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 1)

Indiana Code 32-34-1-20(c) states in part:

"Property that is held, issued, or owed in the ordinary course of a holder's business is presumed abandoned if the owner or apparent owner has not communicated in writing with the holder concerning the property or has not otherwise given an indication of interest in the property during the following times: . . .

- (6) For property or proceeds held by a court or a court clerk, five (5) years after the property or proceeds become distributable. The property or proceeds must be treated as unclaimed property under [IC 32-34-3](#). . . ."

Indiana Code 32-34-1-26(a) states:

"A holder of property that is presumed abandoned and that is subject to custody as unclaimed property under this chapter shall report in writing to the attorney general concerning the property. Items of value of less than fifty dollars (\$50) may be reported by the holder in the aggregate."

Indiana Code 32-34-1-27(a) states:

"Except as provided in subsections (b) and (c), on the date a report is filed under section 26 of this chapter, the holder shall pay or deliver to the attorney general the property that is described in the report as unclaimed."

CLERK OF THE CIRCUIT COURT
MARSHALL COUNTY
AUDIT RESULT AND COMMENT
(Continued)

Indiana Code 35-33-8-7 states:

"(a) If a defendant:

- (1) was admitted to bail under section 3.2(a)(2) of this chapter; and
- (2) has failed to appear before the court as ordered;

the court shall, except as provided in subsection (b) or section 8(b) of this chapter, declare the bond forfeited not earlier than one hundred twenty (120) days or more than three hundred sixty-five (365) days after the defendant's failure to appear and issue a warrant for the defendant's arrest.

(b) In a criminal case, if the court having jurisdiction over the criminal case receives written notice of a pending civil action or unsatisfied judgment against the criminal defendant arising out of the same transaction or occurrence forming the basis of the criminal case, funds deposited with the clerk of the court under section 3.2(a)(2) of this chapter may not be declared forfeited by the court, and the court shall order the deposited funds to be held by the clerk. If there is an entry of final judgment in favor of the plaintiff in the civil action, and if the deposit and the bond are subject to forfeiture, the criminal court shall order payment of all or any part of the deposit to the plaintiff in the action, as is necessary to satisfy the judgment. The court shall then order the remainder of the deposit, if any, and the bond forfeited.

(c) Any proceedings concerning the bond, or its forfeiture, judgment, or execution of judgment, shall be held in the court that admitted the defendant to bail.

(d) After a bond has been forfeited under subsection (a) or (b), the clerk shall mail notice of forfeiture to the defendant. In addition, unless the court finds that there was justification for the defendant's failure to appear, the court shall immediately enter judgment, without pleadings and without change of judge or change of venue, against the defendant for the amount of the bail bond, and the clerk shall record the judgment.

(e) If a bond is forfeited and the court has entered a judgment under subsection (d), the clerk shall transfer to the state common school fund:

- (1) any amount remaining on deposit with the court (less the fees retained by the clerk); and
- (2) any amount collected in satisfaction of the judgment.

(f) The clerk shall return a deposit, less the administrative fee, made under section 3.2(a)(2) of this chapter to the defendant, if the defendant appeared at trial and the other critical stages of the legal proceedings."



Marshall Circuit and Superior Courts

Deborah VanDeMark, Clerk

211 West Madison Street, Plymouth, IN 46563

Telephone: 574-936-8922

Fax: 574-936-8893

September 7, 2021

Re: 2020 Audit Official Response.

Attention Paul Joyce, State Examiner

State Board of Accounts finding was \$1,525,201.00 in the Marshall County Clerk's Trust Account. I shared with the examiner this was also a concern of mine. I used the June 30, 2021 trust report to begin investigating the cases over the past few weeks. The report is 52 pages long with 1157 cases that have money being held.

I have been looking at each of the cases and have made it to page 24 reviewing 518 of the cases.

57 cases had bond money that did not have charges filed, and the Clerk did not receive an order to release the money. Those have been forwarded to the Prosecutor.

35 cases were checks that the Clerk's office attempted to return, that came back to us undeliverable. We will forward them to Unclaimed property.

5 cases the defendant is deceased. We are unsure what to do with these funds.

29 cases the bookkeeper has returned or will be returning money per an order.

14 cases have orders to forfeit the bond and will be sent to Common School Fund.

Several cases have been dismissed and need an order to disburse the money. Those have been forwarded to the court.

The remaining cases are either pending or have a warrant for failure to appear or to pay.

The Judge does not forfeit many of the bonds in hopes to apply it to fines and costs, etc. when they defendant is brought back in. The Clerk cannot disburse any of these funds without an order.

Sincerely,

Deborah VanDeMark

Deborah VanDeMark

Clerk of the Courts

CLERK OF THE CIRCUIT COURT
MARSHALL COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 2, 2021, with Deborah P. VanDeMark, Clerk of the Circuit Court; and on September 8, 2021, with Julie A. Fox, County Auditor; Kevin G. Overmyer, President of the Board of County Commissioners; and Tim Harman, President of the County Council.

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COUNTY SHERIFF
MARSHALL COUNTY

COUNTY SHERIFF
MARSHALL COUNTY
AUDIT RESULT AND COMMENT

INMATE TRUST RECORDS

Condition and Context

Indiana Code 36-8-10-22 requires the County Sheriff of each County that operates a County jail to hold, in trust separately for each inmate, any money received from that inmate or from another person on behalf of that inmate. This statute specifically requires the County Sheriff to maintain a record of each trust fund's receipts and disbursements.

The County failed to properly implement internal controls over the processing and safeguarding of the Sheriff's Inmate Trust Account funds records.

The Sheriff's Inmate Trust Accounts are maintained via an electronic software system. The County Sheriff's department stated the electronic software system had backup procedures in place to secure the data. However, the County failed to test the backup files to verify that critical data could be restored from a backup file and ensure restoration of information in a timely manner.

The Sheriff's Inmate Trust Account software crashed and all historical data was lost prior to August 31, 2020, and had not been restored as of July 1, 2021. The County Sheriff was unable to provide details or history for inmates who were residents prior to August 31, 2020. It was indicated that neither electronic backup files, nor manual hard copy documentation of the Sheriff's Inmate Trust Account balances was maintained for the period January 1, 2020 to August 31, 2020.

Prior to adjustments being recorded in the trust ledger after the crash, the Sheriff's Inmate Trust Account fund bank account exceeded the detail by \$85,258. An employee, who worked for the software company, estimated expenses from inmate trust accounts by prorating various non-inmate expense accounts based on a percentage of total funds prior to the crash, such as indigent haircuts, commissary, medical, extra meal cards, property damage, and miscellaneous supplies. They then deposited the balance of the difference, \$69,234, into a retained earnings account. Only documented actual expenses can be removed from an inmate's trust account.

The County Sheriff has not properly reconciled the inmate trust account since June 2020. As of December 31, 2020, the Sheriff's Inmate Trust Account bank balance exceeded the reported amount in trust ledger by \$69,234.

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 SHERIFF
MARSHALL 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."

Indiana Code 36-8-10-22 states:

- "(a) This section applies to any county that operates a county jail.
- (b) The sheriff shall hold in trust separately for each inmate any money received from that inmate or from another person on behalf of that inmate.
- (c) If the inmate or the inmate's legal guardian requests a disbursement from the inmate's trust fund, the sheriff may make a disbursement for the personal benefit of the inmate, including but not limited to a disbursement to the county jail commissary.
- (d) Upon discharge or release of an inmate from the county jail, the sheriff shall pay to that inmate or the inmate's legal guardian any balance remaining in the inmate's trust fund.
- (e) If an inmate is found guilty of intentionally destroying or losing county property after a hearing conducted under [IC 11-11-5-5](#), the sheriff may disburse from the inmate's trust fund or commissary account sums of money as reimbursement to the county for the inmate's intentional destruction or loss of county property, including but not limited to clothing, bedding, and other nondisposable items issued by the county to the inmate. Before disbursing money under this subsection, the sheriff shall adopt rules to administer this procedure.
- (f) The sheriff shall maintain a record of each trust fund's receipts and disbursements. The state board of accounts shall prescribe the form for this record."

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)



Office of the Marshall County Sheriff
Sheriff Matthew Hassel
1400 Pioneer Drive
Plymouth, IN 46563
574-936-3187

OFFICIAL RESPONSE

Mr. Paul Joyce, State Examiner,

1. Marshall County contracted with Stellar Services to maintain inmate trust records. The county maintained a receipt of each inmate transaction, receipts, and disbursements through Stellar Services lockdown software on an electronic server owned and operated by Stellar Services.
2. The County maintained the inmate accounts and information on a server maintained by Stellar Services. This server was backed up locally, and on the cloud on a regular basis.
3. The inmate trust account server was set up to have multiple fail safes. A catastrophic failure resulted in both the local backup and remote backup retention and loss of the information.
4. The County maintained backup files of the trust ledger electronically.
5. The County worked with Stellar Services and provided all hard copy receipt information to rebuild the account. Any discrepancies or complaints filed with the County were forward to Stellar Services for resolution. Stellar Services continues to build data that was lost into the historical record.
6. The county and inmate trust account has always kept accurate monthly bank account reconciliations. The County moving forward now keeps the following weekly and monthly reports to supplement what is kept electronically:

Monthly Reports

- A. Form 380 report, which gives us an overview of the total receipts and disbursements of the jail trust.
- B. CAR-1 report, to verify our receipts and disbursements
- C. All Disbursements Report – detailed view of all disbursements
- D. All Receipts Report – detailed view of all receipts
- E. Balancing Form Report – Ending balance report for ISBA reporting
- F. Fund Income Report – an accurate breakdown of the different funds inside the trust account
- G. Resident Balance Report – Snapshot view of all the inmate balances.

Weekly Reports

- A. Commissary Sales Report – Cost analysis of the week's inmate commissary sales

- B. Cash Drawer Report – Detailed report of everything the jail deposits into the bank on a weekly basis.

In further review of the surplus funds in the Inmate Trust account it is clear that the money belongs in the commissary account which was not reviewed by the auditor. Please see below an annual review of the commissary accounts income.

2016 total income \$91,592.98, average daily inmate population 136

2017 total income \$111,185.82, average daily inmate population 152

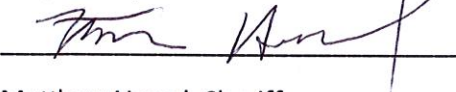
2018 total income \$136,898.77, average daily inmate population 209

2019 total income \$105,695.84, average daily inmate population 254

2020 total income \$68,971.57, average daily inmate population 180

2021 total income January through June \$66,212.97, average daily population 174

Respectfully submitted



A handwritten signature in black ink, appearing to read 'Matthew Hassel', is written over a horizontal line.

Matthew Hassel, Sheriff

COUNTY SHERIFF
MARSHALL COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 2, 2021, with Matthew K. Hassel, County Sheriff; and on September 8, 2021, with Julie A. Fox, County Auditor; Kevin G. Overmyer, President of the Board of County Commissioners; and Tim Harman, President of the County Council.