

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

STARKE COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED
11/05/2021

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
County Auditor:	
Audit Results and Comments:	
CARES Act Fund	6-8
Financial Transactions and Reporting - Auditor.....	8-10
Overdrawn Cash Balances	10
Motor Vehicle Highway (MVH) Restricted Expenditures	10
Compensation and Benefits	10-11
Exit Conference	12
County Treasurer:	
Audit Result and Comment:	
Financial Transactions and Reporting - Treasurer	14-15
Exit Conference	16
Clerk of the Circuit Court:	
Audit Results and Comments:	
Financial Transactions and Reporting - Clerk.....	18-19
Clerk's Trust Items	19-20
Exit Conference	21
County Sheriff:	
Audit Results and Comments:	
Financial Transactions and Reporting - Sheriff.....	24-25
Data Processing Software - Commissary	25
Commissary Disbursements	26-28
Exit Conference	29

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Rachel Oesterreich	01-01-20 to 12-31-21
County Treasurer	Katherine Chaffins Lauri Venckus	01-01-20 to 12-31-20 01-01-21 to 12-31-21
Clerk of the Circuit Court	Bernadette Manuel	01-01-20 to 12-31-21
County Sheriff	William Dulin	01-01-20 to 12-31-21
County Recorder	Mandy Thomason	01-01-20 to 12-31-21
President of the Board of County Commissioners	Charlie Chesak	01-01-20 to 12-31-21
President of the County Council	Dave Pearman	01-01-20 to 12-31-21



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF STARKE COUNTY, INDIANA

This report is supplemental to our audit report of Starke 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

October 14, 2021

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COUNTY AUDITOR
STARKE COUNTY

COUNTY AUDITOR
STARKE COUNTY
AUDIT RESULTS AND COMMENTS

CARES ACT FUND

Condition and Context

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

1. The County did not properly establish a separate CARES grant fund that followed the uniform chart of accounts.
2. Reimbursements from Indiana Finance Authority (IFA) were receipted into various funds instead of the designated CARES grant fund.
3. The County passed Ordinance 2020-023 Use of CARES Act Funds: Reimbursement of Public Health and Safety Costs (Ordinance) that states in part:

"The CARES Act reimbursement for public health and safety payrolls shall be receipted into the Starke County CARES Act fund designated as Fund 9166. Thereafter, instead of moving expenditures from the county general fund to the CARES Act fund for the remaining public safety payroll costs totaling \$395,365.04, the Commissioners will follow the alternative process outlined in the State Board of Accounts' Memorandum of September 30, 2020 whereby a claim shall be created against the CARES Act fund for public safety payroll expenditures totaling \$395,365.04 and receipted into the county general fund."

However, the County did not create a claim against the CARES Act fund or receipt it into the General fund as noted in the Ordinance. The County only receipted the money into the CARES Act fund to cover other disbursements made from the CARES Act fund, which were not submitted to IFA for reimbursement. The money receipted into the CARES Act fund should be attributed to the disbursements for which reimbursement was requested.

4. Expenditures in 2020 from the CARES Act fund, which were not submitted to the IFA for reimbursement, totaled \$318,797. These expenditures were paid without appropriation.
5. At the end of 2020, the CARES Act fund had a balance of \$41,446. During 2021, the County spent \$32,427 from the unappropriated CARES Act fund for "comp time" for administering shots at the clinic and supplies. As of September 16, 2021, the remaining cash balance of the fund was \$3,469.

Criteria

Reimbursed Public Health and Safety Payroll Costs

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options.

Option One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and re-appropriate the general fund (or other 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.

COUNTY AUDITOR
STARKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Once the disbursement is reversed within the general fund (or other 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.

Once option one is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

Option Two. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum *CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020.* . . .**

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.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

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.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

COUNTY AUDITOR
STARKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund.** (State Examiner Directive 2020-3)

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Indiana Code 36-2-5-2(b) states: "The county fiscal body shall appropriate money to be paid out of the county treasury, and money may be paid out of the treasury only under an appropriation made by the fiscal body, except as otherwise provided by law."

FINANCIAL TRANSACTIONS AND REPORTING - AUDITOR

A similar comment also appeared in prior Reports B53548, entitled *INTERNAL CONTROLS*, and B55643, entitled *FINANCIAL TRANSACTIONS AND REPORTING - AUDITOR*.

Condition and Context

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

Payroll Disbursements

The County did not have effective internal controls in place over payroll adjustments to ensure the disbursements were properly recorded in the correct fund.

Payroll adjustments from the Highway Department fund to the MVH Restricted fund were performed every pay period. Each payroll adjustment totals were handwritten on the payroll packet by one individual. Another individual then completed a payroll distribution adjustment based on the handwritten total noted on the payroll packet.

However, detailed documentation by employee was not retained to support each payroll adjustment total. The software system reported the employees as paid from the Highway Department fund rather than from the adjusted fund of MVH Restricted.

Financial Reporting

The County did not have an effective system of 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 for the financial statement. An oversight or review process had been implemented; however, the internal controls were not effective since it enabled material misstatements to remain undetected.

COUNTY AUDITOR
STARKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

In addition, a proper system of oversight or review was not established to ensure the accuracy and completeness of the financial information submitted to the County Auditor on the Supplemental County Annual Report (SCAR) by outside departments that are included in the County's AFR.

The lack of effective internal controls resulted in the following financial statement errors:

1. The Beginning Cash and Investment balances were understated by \$6,229,153 due to the exclusion of investment balances and the omission of an outside department.
2. Receipts were overstated in total by \$5,304,526 due to the inclusion of investment activity and the omission of an outside department.
3. The disbursements were understated by \$513,177 due to the inclusion of investment activity and the omission of an outside department.
4. All the errors noted above resulted in the \$411,450 understatement of the ending Cash and Investment Balance.

Audit adjustments were proposed, approved 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](#)."

COUNTY AUDITOR
STARKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Report B55643.

Condition and Context

The financial statement presented for audit included the Operation Pullover New and WIC 2020 funds with overdrawn cash balances at December 31, 2020, of \$475 and \$16,821, respectively.

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

MOTOR VEHICLE HIGHWAY (MVH) RESTRICTED EXPENDITURES

Condition and Context

The County created a Motor Vehicle Highway (MVH) Restricted sub-fund within the Highway Department (MVH Fund) fund and posted 50 percent of the state motor vehicle highway distributions to the sub-fund as required. The MVH Restricted sub-fund is to be used exclusively for the construction, reconstruction, and preservation of the County's highways.

The County paid for maintenance repairs, training, and payroll for maintenance work such as mowing and a mechanic's compensation. These expenditures were not for the construction, reconstruction, and preservation of the County's highways.

Criteria

Indiana Code 8-14-1-4(b) states: "For funds distributed to a county from the motor vehicle highway account, the county shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the county's highways."

COMPENSATION AND BENEFITS

Condition and Context

The following items were noted in a test of payroll disbursements:

1. Time worked was not documented for several departments of the County. Detailed supporting records of actual time worked was not provided for audit.

COUNTY AUDITOR
STARKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

2. The salary ordinance lists a pay rate for hourly positions. However, the County used a pay range to pay hourly employees. An hourly pay range was not included in the approved salary ordinance.
3. Overtime was calculated based on total hours, which could have included paid leave or holiday time, rather than total hours worked as stated in the employee handbook.
4. The salary ordinance approved by the County Council did not include the Deputy Coroner position.

Criteria

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

Indiana Code 5-11-9-4(b) states in part: "The state board of accounts shall require that records be maintained showing which hours are worked each day by officers and employees: . . ."

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employee's Service Record
General Form 99B, Employee's Earnings Record
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR
STARKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 14, 2021, with Rachel Oesterreich, County Auditor; Dave Pearman, President of the County Council; and Charlie Chesak, President of the Board of County Commissioners.

COUNTY TREASURER
STARKE COUNTY

COUNTY TREASURER
STARKE COUNTY
AUDIT RESULT AND COMMENT

FINANCIAL TRANSACTIONS AND REPORTING - TREASURER

A similar comment also appeared in prior Report B55643, entitled *FINANCIAL TRANSACTIONS AND REPORTING - TREASURER*.

Condition and Context

There were several deficiencies in the internal control system of the County Treasurer related to financial transactions and reporting. There was a lack of segregation of duties as the County Treasurer had not separated incompatible activities related to cash and investments, receipts, and financial reporting. There were no documented internal controls to ensure the accuracy and timeliness of the recordkeeping and reporting functions.

Cash and Investments (Bank Reconcilements)

One individual was responsible for preparing the reconcilements of the accounting record balance to the bank depository balances without an oversight or review process in place to ensure their accuracy and timeliness.

In reviewing the documentation provided, we noted the following items:

1. Reconcilements included outstanding checks and deposits in transit that had already cleared the bank.
2. Deposits in transit reported in the December 2020 reconciliation were removed from the January 2021 reconciliation without documentation that they had actually cleared the bank.
3. Reconcilements were not properly completed timely.

Receipts

The County Treasurer had designed a process of review and oversight over receipts to ensure the accuracy, completeness, timeliness, and classification of the receipts posted. However, implementation of the process could not be verified.

Financial Reporting

The County Treasurer failed to prepare and submit a Supplemental County Annual Report (SCAR) to the County Auditor. This information was required to be submitted as part of the County's Annual Financial Report into the Indiana Gateway for Government Units financial reporting system, which was the source for the County's financial statement.

COUNTY TREASURER
STARKE COUNTY
AUDIT RESULT AND COMMENT
(Continued)

The County Auditor obtained the after settlement collections amount from the Treasurer's bank reconciliation, and reported it as the Treasurer fund's receipts and ending cash and investment balance in the financial statement due to the County Treasurer not submitting the SCAR.

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](#)."

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."

COUNTY TREASURER
STARKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 14, 2021, with Lauri Venckus, County Treasurer, and Rachel Oesterreich, County Auditor.

The contents of this report were sent on October 20, 2021, to Katherine Chaffins, former County Treasurer.

CLERK OF THE CIRCUIT COURT
STARKE COUNTY

CLERK OF THE CIRCUIT COURT
STARKE COUNTY
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING - CLERK

Condition and Context

There were several deficiencies in the internal control system of the Clerk of the Circuit Court's (Clerk) office related to financial transactions and reporting.

Cash and Investments

The Clerk's office had designed a review or oversight process over monthly reconciliations of the accounting record balance to the bank depository balances. The bank reconciliations were prepared by one employee and signature stamped by the same employee for the Clerk. A review or oversight of the monthly reconciliations by another individual could not be determined.

Receipts

The Clerk's office had designed a review or oversight process to ensure the accuracy, completeness, timeliness, and classification of the receipts posted. However, the implementation of the process could not be verified.

Disbursements

The Clerk's office had not designed a review or oversight process to ensure the accuracy, completeness, timeliness, and classification of the disbursements posted.

Financial Reporting

The Clerk did not have an effective internal control system over financial reporting to ensure the preparation of accurate and complete financial reports to be included in the County's Annual Financial Report (AFR) and financial statement. The Supplemental County Annual Report information submitted to the County Auditor for inclusion in the County's financial statement overstated both receipts and disbursements by \$38,028 and \$39,472, respectively.

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. . . .

CLERK OF THE CIRCUIT COURT
STARKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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](#)."

CLERK'S TRUST ITEMS

Condition and Context

The Clerk's office had \$364,696 held in trust on December 31, 2020. Of the 25 trust items tested, 21, or 84 percent, were determined to not have been properly distributed. These trust items included items that had orders to distribute, which had not occurred, and items that should have been forfeited or distributed, but were waiting on an order from the court.

There were 73 checks totaling \$16,507 that were five years old or more listed as outstanding on the December 31, 2020 depository reconciliation.

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."

CLERK OF THE CIRCUIT COURT
STARKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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."

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."

CLERK OF THE CIRCUIT COURT
STARKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 14, 2021, with Bernadette Manuel, Clerk of the Circuit Court, and Rachel Oesterreich, County Auditor.

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COUNTY SHERIFF
STARKE COUNTY

COUNTY SHERIFF
STARKE COUNTY
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING - SHERIFF

Condition and Context

There were several deficiencies in the internal control system of the County Sheriff's department related to financial transactions and reporting. The County Sheriff had not separated incompatible activities related to cash and investments, receipts, disbursements, and financial reporting.

Cash and Investments (Bank Reconcilements)

A proper system of internal controls had not been designed over cash and investments. One individual prepared the deposits, took the deposits to the bank, and performed the reconciliation of the accounting record balance to the bank depository balance. A proper system of oversight or review had not been designed or implemented.

Receipts

A proper system of internal controls had not been designed over receipts. Two employees receipted collections to the Sheriff Cashbook fund. One of the employees also took deposits to the bank and performed the monthly reconciliation of the accounting record balance to the bank depository balance.

One employee recorded the amounts received to the County Sheriff's Commissary ledgers without the issuance of receipts as required. In addition, the County Sheriff's department did not retain supporting documentation for all amounts recorded to the Sheriff Commissary fund ledger. A proper system of oversight or review had not been designed or implemented.

Disbursements

A proper system of internal controls had not been designed over disbursements. One employee prepared, printed, and stamped the County Sheriff's signature on checks for payment, as well as recorded the disbursements to the ledgers. A proper system of oversight or review had not been designed or implemented.

Financial Reporting

The County Sheriff did not have an internal control system over financial reporting to ensure the preparation of accurate and complete financial reports to be included in the County's Annual Financial Report (AFR) and financial statement.

One person prepared the Supplemental County Annual Report (SCAR) without a proper system of oversight or review. The lack of internal controls enabled the SCAR for the Sheriff Inmate Trust fund to report the bank depository balances, instead of the ledger activity.

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
STARKE COUNTY
AUDIT RESULTS AND COMMENTS
(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. . . ."

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Counties 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](#)."

DATA PROCESSING SOFTWARE - COMMISSARY

Condition and Context

The County Sheriff's department used a commercially purchased software program to prepare spreadsheets to serve as the County Sheriff Commissary ledger. The software allowed changes to the data after it was posted without an audit trail. The spreadsheets were considered the official accounting records for the financial transactions (receipts, disbursements, and cash and investment balances) for the Sheriff Commissary fund.

Criteria

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, page 12)

COUNTY SHERIFF
STARKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

COMMISSARY DISBURSEMENTS

Condition and Context

The following items were noted with disbursements from the Sheriff Commissary fund:

1. The County Sheriff's department utilized a debit card to make purchases for the Sheriff Commissary fund. The County Sheriff's department did not have a debit card policy authorizing and governing the usage of the debit card. Several debit card transactions tested did not have supporting documentation/receipts submitted to the office manager to verify the validity of the purchase.
2. Supporting documentation was not always itemized to ensure compliance with laws and regulations related to disbursements.
3. Sheriff Commissary funds were used to pay for employee rewards. Neither the County Sheriff's department, nor the County had adopted policies governing employee rewards, including the purchase of gift cards.
4. Several meal reimbursements to employees exceeded the daily meal rate established by the County Sheriff's department policy. Additionally, a meal reimbursement included alcohol.
5. Sales tax was paid on some purchases.

Criteria

Indiana Code 36-8-10-21 states:

"(a) This section applies to any county that has a jail commissary that sells merchandise to inmates.

(b) A jail commissary fund is established, referred to in this section as "the fund". The fund is separate from the general fund, and money in the fund does not revert to the general fund.

(c) The sheriff, or the sheriff's designee, shall deposit all money from commissary sales into the fund, which the sheriff or the sheriff's designee shall keep in a depository designated under [IC 5-13-8](#).

(d) The sheriff, or the sheriff's designee, at the sheriff's or the sheriff's designee's discretion and without appropriation by the county fiscal body, may disburse money from the fund for:

- (1) merchandise for resale to inmates through the commissary;
- (2) expenses of operating the commissary, including, but not limited to, facilities and personnel;
- (3) special training in law enforcement for employees of the sheriff's department;
- (4) equipment installed in the county jail;

COUNTY SHERIFF
STARKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (5) equipment, including vehicles and computers, computer software, communication devices, office machinery and furnishings, cameras and photographic equipment, animals, animal training, holding and feeding equipment and supplies, or attire used by an employee of the sheriff's department in the course of the employee's official duties;
 - (6) an activity provided to maintain order and discipline among the inmates of the county jail;
 - (7) an activity or program of the sheriff's department intended to reduce or prevent occurrences of criminal activity, including the following:
 - (A) Substance abuse.
 - (B) Child abuse.
 - (C) Domestic violence.
 - (D) Drinking and driving.
 - (E) Juvenile delinquency;
 - (8) expenses related to the establishment, operation, or maintenance of the sex and violent offender registry web site under [IC 36-2-13-5.5](#); or
 - (9) any other purpose that benefits the sheriff's department that is mutually agreed upon by the county fiscal body and the county sheriff. Money disbursed from the fund under this subsection must be supplemental or in addition to, rather than a replacement for, regular appropriations made to carry out the purposes listed in subdivisions (1) through (8).
- (e) The sheriff shall maintain a record of the fund's receipts and disbursements. The state board of accounts shall prescribe the form for this record. The sheriff shall semiannually provide a copy of this record of receipts and disbursements to the county fiscal body. The semiannual reports are due on July 1 and December 31 of each year."

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.

COUNTY SHERIFF
STARKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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)

All types of employee benefits must be detailed in a written policy. Payments for expenses not authorized in a written policy cannot be allowed. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Sales taxes that are paid on qualifying purchases by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY SHERIFF
STARKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 14, 2021, with William Dulin, County Sheriff; Pamela McDonald, Matron/Office Manager; and Rachel Oesterreich, County Auditor.