

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

FEDERAL COMPLIANCE AUDIT 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
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	3-4
Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	5-7
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	10-11
Notes to Schedule of Expenditures of Federal Awards.....	12
Schedule of Findings and Questioned Costs.....	13-23
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	26-29
Corrective Action Plan	30-34
Other Reports.....	35

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



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF STARKE COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of Starke County (County), for the year ended December 31, 2020, and the related notes to the financial statement, which collectively comprise the County's financial statement and have issued our report thereon dated October 14, 2021, wherein we noted the County followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2020-001, 2020-002, 2020-003, 2020-004, and 2020-005, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2020-001, 2020-002, 2020-003, 2020-004, and 2020-005.

Starke County County's Response to Findings

The County's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statement, and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

October 14, 2021



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

TO: THE OFFICIALS OF STARKE COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited Starke County's (County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2020. The County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the County's compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Opinion on the Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statement of the County, as of and for the year ended December 31, 2020, and the related notes to the financial statement. We issued our report thereon dated October 14, 2021, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.


Paul D. Joyce, CPA
State Examiner

October 14, 2021

(This page intentionally left blank.)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the County. The schedule and notes are presented as intended by the County.

STARKE COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2020

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Agriculture</u>					
WIC Special Supplemental Nutrition Program for Women, Infants, and Children WIC 2020 WIC BREASTFEEDING 2020	Indiana State Department of Health	10.557	174-3: WIC330 174-3:WIC330	\$ - -	\$ 92,732 8,502
Total - WIC Special Supplemental Nutrition Program for Women, Infants, and Children				-	101,234
Total - Department of Agriculture				-	101,234
<u>Department of Housing and Urban Development</u>					
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii Starke County Comprehensive Plan Broadband Plan Grant	Office of Community and Rural Affairs	14.228	A192-19-PL-18-016 A192-19-PL-17-026	- -	19,440 50,000
Subtotal - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii				-	69,440
COVID-19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	Office of Community and Rural Affairs	14.228	A192-20-CV-19-131	-	75,000
Total - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii				-	144,440
Total - Department of Housing and Urban Development				-	144,440
<u>Department of Justice</u>					
Crime Victim Assistance Starke County Victim Rights Coordinator	Indiana Criminal Justice Institute	16.575	VOCA-2020-00188	-	28,728
Crime Victim Compensation Crime Victim Compensation	Indiana Criminal Justice Institute	16.576	2014-VA-GX-0062	-	1,491
Total - Department of Justice				-	30,219
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster Highway Planning and Construction Highway Planning and Construction	Indiana Department of Transportation	20.205	FY 2020	-	79,742
Total - Highway Planning and Construction Cluster				-	79,742
Highway Safety Cluster State and Community Highway Safety State and Community Highway Safety	City of Mishawaka	20.600	FY 2020	-	709
Total - Highway Safety Cluster				-	709
Total - Department of Transportation				-	80,451

STARKE COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2020

Federal Grantor Agency <u>Cluster Title/Program Title/Project Title</u>	<u>Pass-Through Entity or Direct Grant</u>	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus Relief Fund CARES Act	Indiana Finance Authority	21.019	FY 2020	-	744,098
Total - Department of the Treasury				-	744,098
<u>Election Assistance Commission</u>					
COVID-19 - 2020 HAVA CARES Act Grant	Indiana Secretary of State	90.404	FY 2020	-	1,723
Total - Election Assistance Commission				-	1,723
<u>Department of Health and Human Services</u>					
<u>Child Support Enforcement</u>					
Title IV-D Prosecutor Expenditures - Incentive	Indiana Department of Child Services	93.563	FY 2020	-	16,983
Title IV-D Incentive Expenditures - Incentive			FY 2020	-	6,902
Title IV-D Clerk Expenditures - Incentive			FY 2020	-	13,911
IV-D Reimbursement General Fund = 1000/4907			FY 2020	-	156,849
Total - Child Support Enforcement				-	194,645
<u>Opioid STR</u>					
SIM Opioid	Indiana State Department of Health	93.788	21-5J89-C75-001	-	35,264
Total - Department of Health and Human Services				-	229,909
<u>Department of Homeland Security</u>					
<u>Emergency Management Performance Grants</u>					
Salary Reimbursement	Indiana Department of Homeland Security	97.042	EMC-2019-EP-00003-S01	-	46,600
<u>Homeland Security Grant Program</u>					
Homeland Security Radio	Indiana Department of Homeland Security	97.067	EMW-2020-SS-00009-S01	-	149,354
Total - Department of Homeland Security				-	195,954
Total federal awards expended				\$ -	\$ 1,528,028

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

STARKE COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the County under programs of the federal government for the year ended December 31, 2020. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the County, it is not intended to and does not present the financial position of the County.

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 2. Indirect Cost Rate

The County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

STARKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	no

Identification of Major Program and type of auditor's report issued on compliance for it:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
21.019	COVID-19 - Coronavirus Relief Fund	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
--	----

Section II - Financial Statement Findings

FINDING 2020-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2019-001.

Condition and Context

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

STARKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Payroll Disbursements

The County did not have effective internal controls over payroll adjustments that would have ensured 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's total 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. Additionally, the software system reported the employees as paid from the Highway Department fund rather than from the adjusted MVH Restricted fund.

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 of the financial statement. An oversight or review process had been implemented; however, the internal controls were not effective and did not detect and allow correction of errors prior to submission.

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.

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

1. 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. 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 an understatement of \$411,450 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:

STARKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(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 5-11-1-4(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](#)."

Cause

Management had not established an effective system of internal controls.

Effect

The failure to establish a system of internal controls enabled material misstatements or irregularities to remain undetected.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2020-002

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2019-002.

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.

STARKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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, the following items were noted:

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 cleared the bank.
3. Reconcilements were not timely and properly completed.

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 Government Units financial reporting system, which was the source for the County's financial statement.

The County Auditor obtained the after settlement collections amount, reported as the County Treasurer fund receipts and ending balance in the financial statement, from the County Treasurer's bank reconciliation, due to the County Treasurer not submitting the SCAR. This resulted in a lack of segregation of duties.

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. . . .

STARKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(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](#)."

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."

Cause

Management had not established an effective system of internal controls.

Effect

The failure to establish a system of internal controls over receipts and financial reporting could have enabled misstatements or irregularities to remain undetected.

The failure to establish an effective system of internal controls over cash and investments enabled material misstatements or irregularities to remain undetected.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2020-003

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

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 designed a review 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.

STARKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Receipts

The Clerk's office designed a review 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's office 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. . . .

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](#)."

Cause

Management had not established or implemented an effective system of internal controls.

STARKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

The failure to establish a system of internal controls over cash and investments, receipts, and disbursements could have enabled misstatements or irregularities to remain undetected.

The failure to establish an effective system of internal controls over financial reporting enabled material misstatements or irregularities to remain undetected.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2020-004

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

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.

STARKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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:

"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](#)."

Cause

Management had not established or implemented an effective system of internal controls.

Effect

The failure to establish a system of internal controls over cash and investments, receipts, and disbursements could have enabled misstatements or irregularities to remain undetected.

The failure to establish a system of internal controls over financial reporting enabled misstatements or irregularities to remain undetected.

STARKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

or the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2020-005

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2019-003.

Condition and Context

The County had not established effective internal controls over the federal award information entered in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the County's Schedule of Expenditures of Federal Awards (SEFA).

The County failed to properly review the federal grant information prepared and submitted in Gateway. Although the County Auditor prepared the SEFA and the Deputy County Auditor reviewed it, there was no documentation of the review process, and it was not effective and did not detect and allow correction of errors prior to submission.

Due to the lack of effective internal controls, the SEFA presented for audit contained the following errors:

1. The COVID-19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii (COVID CDBG) grant expenditures were included on the SEFA within an incorrect federal program. This resulted in the overstatement of expenditures for the incorrect federal program of \$175,940, and an understatement of the COVID CDBG grant expenditures of \$75,000.
2. The Child Support Enforcement grant expenditures were understated by \$158,110.
3. Several additional grants had individually immaterial errors that resulted in a combined misstatement of \$197,447.
4. Other errors included incorrect program names and identifying numbers.

Audit adjustments were proposed, accepted by the County, and made to the SEFA 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:

STARKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control . . ."

2 CFR 200.62 states in part:

"*Internal control over compliance requirements for Federal awards* means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:

- (a) Transactions are properly recorded and accounted for, in order to:

- (1) Permit the preparation of reliable financial statements . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

- (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

STARKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

Management had not established a system of internal controls that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal controls in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition* and *Context*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

(This page intentionally left blank.)

AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the County. The documents are presented as intended by the County.



**STARKE COUNTY AUDITOR
RACHEL OESTERREICH
53 EAST MOUND STREET
KNOX, IN 46534
(574) 772-9101**

August 3, 2021

Finding 2019-001 Financial Transactions and Reporting

Fiscal year in which the finding initially occurred: 2019

Status of Audit Finding: Not Completed

Beginning August 17, 2020 and the 2020 Annual Financial Report the Auditor, Rachel Oesterreich entered financial information into the Gateway financial reporting system. Next Deputy, Auditor Sara Dingman reviewed all financial information entered by the Auditor. Financial forms were printed and both parties signed the form with the date of when the review was completed. However, plans are being made with other departments in regard to accuracy of information that is entered on the SAR.

Rachel Oesterreich
Starke County Auditor



**STARKE COUNTY AUDITOR
RACHEL OESTERREICH
53 EAST MOUND STREET
KNOX, IN 46534
(574) 772-9101**

August 3, 2021

Finding 2019-002 Financial Transactions and Reporting

Fiscal year in which the finding initially occurred: 2019

Status of Audit Finding: Not Completed

Beginning August 19, 2020, former Treasurer Katherine Chaffins advised that she had spoken with the software company to correct the deficiencies and in regards to the internal controls both her and her deputy would create a “checks and balance” system. I am not sure if the current Treasurer and her deputy complete the same “checks and balance review”. As the Auditor the Treasurer turns in a 47TR every month for the prior month. I do review the form and signed attesting to that review.

Plans are being made with the current Treasurer in understanding each line of the 47TR to ensure accuracy of numbers before entering into Gateway.

Rachel Oesterreich
Starke County Auditor



**STARKE COUNTY AUDITOR
RACHEL OESTERREICH
53 EAST MOUND STREET
KNOX, IN 46534
(574) 772-9101**

August 3, 2021

Finding 2019-003 Preparation of the Schedule of Expenditures of Federal Awards

Fiscal year in which the finding initially occurred: 2019

Status of Audit Finding: Not Corrected

Beginning August 17, 2020 the 2020 Annual Financial Report the Auditor, Rachel Oesterreich entered grant information (SEFA) into the Gateway reporting system. Next Deputy, Auditor Sara Dingman reviewed all financial information entered by the Auditor. However, there was no written form of documentation provided to verify these transactions.

Moving forward, to ensure grant information is entered and submitted in the Indiana Gateway for Government Units correctly, we will be signing documents to attest to the review process as well as implementing an education session with Auditor staff to educate ourselves about titles, CFDA Numbers, and Amounts.

Rachel Oesterreich
Starke County Auditor



**STARKE COUNTY AUDITOR
RACHEL OESTERREICH
53 EAST MOUND STREET
KNOX, IN 46534
(574) 772-9101**

August 3, 2021

Finding 2019-004 Community Development Block Grant's/State's Program and Non-Entitlement Grant in Hawaii

Fiscal year in which the finding initially occurred: 2019

Status of Audit Finding: Not Corrected

Due to the pandemic a plan was not implemented in 2020 for this finding. Beginning in the fourth quarter of 2021 a plan will be implemented to keep in contact with the grant administrator known as KIRPC in regards to the semi-annual reports. The Starke County Auditor's Office will request semi-annual reports and/or updates to semi-annual reports three weeks prior to the semi-annual cut-off date.

Rachel Oesterreich
Starke County Auditor



**STARKE COUNTY AUDITOR
RACHEL OESTERREICH
53 EAST MOUND STREET
KNOX, IN 46534
(574) 772-9101**

CORRECTIVE ACTION PLAN

FINDING 2020-001

Contact Person Responsible for Corrective Action: Rachel Oesterreich
Contact Phone Number: 574-772-9105

We concur with the finding:

Description of Corrective Action Plan:

Payroll Disbursements: The Starke County Auditor and the Payroll Deputy will be meeting with our payroll software company to discuss how 1176 and 1173 disbursements can be handled moving forward for the ability to provide detailed documentation.

Financial Reporting: The Starke County Auditor will come up with a process to ensure the financial information that is submitted on the SCAR is reviewed by more than one individual within the following departments: Starke County Sheriff, Starke County Clerk, and Starke County Treasurer.

Anticipated Completion Date: December 31, 2021

Lauri Venckus

Starke County Treasurer

53 E Mound St Knox, IN 46534

574-772-9111

lvenckus@co.starke.in.us

CORRECTIVE ACTION PLAN

FINDING 2020-002

Contact Person Responsible for Corrective Action: Lauri Venckus

Contact Phone Number: 574-772-9111

Views of Responsible Official:

I concur with the findings.

Description of Corrective Action Plan:

I will ensure that one or more individuals are involved in the reconciliation process. This includes a review and oversight of Cash, investments when we have them, deposits, receipts, the Supplemental County Annual Report, and financial reporting.

My office had already identified some of these issues upon taking office and had already begun to have better verification of the daily deposit sheets packets containing reference to all transactions that day. The daily work is done between my deputy and myself, we review it and sign off each other's work.

Controls will be in place to ensure verification of the accuracy of the reconciliations and daily work. When one person completes the work, the other will verify it. By doing this we hope to catch any potential issues before they would arise.

The monthly financial reports are also reviewed by the Auditor and are signed off on also.

Anticipated Completion Date:

These controls have already been started and will remain as part of the regular process in which this office completes our duties.

This will be reflected on the October 2021 Reconciliation and on the February 28, 2022 SCAR.



Starke County Clerk's Office

Bernadette Manuel, Clerk

53 East Washington Street, PO Box 395, Knox, Indiana 46534

Phone: 574-772-9128

CORRECTIVE ACTION PLAN

FINDING 2020-03

Contact:

Bernadette Manuel Clerk of the Starke Circuit Court
574-772-9161
Anticipated Completion Date: 1/1/2022

Views:

The Clerk's Office has SOP's and Internal Control Standards in place:
Cash and Investments: Reconcilements are done by the bookkeeper and checked by I the Clerk:
Receipts: We have not initialed the slips as I do not like unnecessary markings on the receipts.
Disbursements: are completed by I the Clerk.
Financial Reporting: I have no comment and will not comment until I have time to review and research to come to the same finding as the Auditors.

Corrective Action Plan:

The Clerk will update the SOP's and Internal Control Standards that are currently in place.
Cash and Investments: Bookkeeper will not continue to use my name stamp, Clerk will sign the forms during the review process.
Receipts: When the deputies are completing the end of the day everyone that touches monies or the balances for the verifying process will initial they worked the sheets.
Disbursements: After I complete the disbursements checks my Chief Deputy will be verifying the process.
Financial Reporting: After I review and research data will analyze and will decide on the proper action to add to the SOP's and or Internal Control Standards so this does not happen again.

Casue:

The Clerk has SOP's and Internal Control Standards in place just because you were not able to verify the SOP's by initials does not mean that the SOP's are not working nor in place. Which in turn the "Effect" is not a totally correct statement.



STARKE COUNTY SHERIFF'S OFFICE SHERIFF WILLIAM A. DULIN

Telephone: (574) 772-3771
Fax: (574) 772-7641

5435 E. State Road 8
Knox, Indiana 46534

CORRECTIVE ACTION PLAN

FINDING 2020-004

Contact Person Responsible for Corrective Action: Pamela McDonald
Contact Phone Number: 574-772-3771 Ext.5

Views of Responsible Official: We concur with the Finding

Description of Corrective Action Plan:

Audit areas that need corrected are as follows:
Cash and Investments (Bank Reconciliation)
Receipts
Disbursements
Financial Close and Reporting

A proper oversight for internal controls has been reviewed and a dual system has been designed and will be implemented. Moving forward, all transactions will be handled with a dual signature initial system.

Anticipated Completion Date: November 2021

"LOYALTY AND PRIDE"



STARKE COUNTY,
INDIANA

**STARKE COUNTY AUDITOR
RACHEL OESTERREICH
53 EAST MOUND STREET
KNOX, IN 46534
(574) 772-9101**

CORRECTIVE ACTION PLAN

FINDING 2020-005

Contact Person Responsible for Corrective Action: Rachel Oesterreich
Contact Phone Number: 574-772-9105

We concur with the finding:

Description of Corrective Action Plan:

The Starke County Auditor and the deputies will be educated further on the SEFA numbers, what exact grants are considered federal grants, program names, and pass through agencies prior to the next Annual Financial Reporting due date.

Anticipated Completion Date: December 31, 2021

OTHER REPORTS

In addition to this report, other reports may have been issued for the County. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.