

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BARTHOLOMEW COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED
11/10/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Pia O'Connor	01-01-20 to 12-31-21
County Treasurer	Barbara Hackman	01-01-20 to 12-31-21
Clerk of the Circuit Court	Jay Phelps Julie Robertson (interim) Shari Lentz	01-01-20 to 04-15-21 04-16-21 to 04-23-21 04-24-21 to 12-31-21
County Sheriff	Matthew A. Myers	01-01-20 to 12-31-21
President of the Board of County Commissioners	Rick Flohr Larry Kleinhenz	01-01-20 to 12-31-20 01-01-21 to 12-31-21
President of the County Council	Matt Miller R. Scott Bonnell	01-01-20 to 12-31-20 01-01-21 to 12-31-21



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF BARTHOLOMEW COUNTY, INDIANA

This report is supplemental to our audit report of Bartholomew 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 25, 2021

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COUNTY AUDITOR
BARTHOLOMEW COUNTY

COUNTY AUDITOR
BARTHOLOMEW COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

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

- Financial activity associated with the County's 2019 Highway garage project (Highway Bond 2019 fund and the ONB Local Income Tax Revenue Bond Series 2019 fund) were not reported on the County Auditor's funds ledger. These funds were also not reported on the Indiana Gateway for Government Units financial reporting system, which is used to generate the Annual Financial Report (AFR) and financial statement. As a result, the 2020 financial statement beginning cash balance was understated by \$5,961,961, receipts were understated by \$915,554, disbursements understated by \$4,209,845, and the ending cash balance understated by \$2,667,670.
- In addition, there were multiple other funds' receipts, disbursements, and/or cash and investment balances which were reported incorrectly on the financial statement.

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

- The County Auditor's financial software was not closed timely at month and year end. As a result, backdating of transactions occurred.
- Journal entries were used to record transactions, including transfers, adjustments and/or corrections, and other transactions. The journal entries did not always include sufficient supporting documentation or evidence of a review, nor were these transactions approved by the County Auditor as fiscal officer, or, when required, by the County Commissioners.
- Transfers between funds were not always recorded correctly. In some instances, the transfers were not properly classified as transfers. Also, in some instances, only one side of the transaction was posted correctly as a transfer.

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

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

COUNTY AUDITOR
BARTHOLOMEW COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

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

**ACCOUNTING FOR INDIANA FINANCE AUTHORITY ADMINISTERED
CORONAVIRUS RELIEF FUND MONEY**

Condition and Context

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

The County did not properly establish a separate CARES grant fund that followed the uniform chart of accounts. Additionally, the County did not follow one of the options outlined in the Directive for its payroll related expenditures. The reimbursement from the Indiana Finance Authority for payroll expenditures was posted to the General fund, instead of the designated CARES grant fund. The reimbursement should have been posted to the CARES grant fund and the funds transferred through the claims process to the General fund.

For non-payroll related expenditures, the County did not follow one of the Frameworks outlined in the Directive. The County receipted the money for non-payroll related expenditures into the CARES grant fund, but then, instead of reversing entries to move the expense to the CARES fund, the County transferred the money to the various funds that originally incurred the expenses. By transferring expenditures, the proper financial activity was not reflected in the appropriate fund nor were appropriations reinstated. Additionally, the County paid some non-payroll related expenses directly from the CARES fund without appropriation.

Due to not following the Directive, the County did not properly include the CRF on their Schedule of Expenditures of Federal Awards (SEFA). Audit adjustments proposed were accepted and made to the SEFA presented in the report.

COUNTY AUDITOR
BARTHOLOMEW COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

Each local unit of government that receives an allocation from the Coronavirus Relief Fund administered by IFA shall establish a separate CARES grant fund with a fund number consistent with memorandum *Accounting and Appropriation of COVID-19 Grants*, April 29, 2020 (updated September 29, 2020).

All Reimbursements received from IFA shall be receipted into a separate CARES grant fund that is specific to IFA reimbursements. . . .

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.

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. . . .

COUNTY AUDITOR
BARTHOLOMEW COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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

Framework Three. If you have created a negative balance in your CARES fund based on expenditures made in anticipation of receipt of reimbursement for allowable expenditures where invoices have already been submitted to IFA then leave as is and receipt reimbursement when received, bringing the balance in the separate CARES grant fund to zero. Going forward, expend any anticipated allowable expenditures from a fund with an appropriation and follow framework one. If a negative balance in the CARES grant fund is not fully reimbursed, then the unreimbursed amount will require a reverse entry and posting of the expenditure to the general or other appropriate fund within an appropriated line item. . . ." (State Examiner Directive 2020-3)

CAPITAL ASSETS

Repeat Comment

A similar comment also appeared in prior Reports B53000 and B55571, entitled *CAPITAL ASSETS*.

Condition and Context

The County did not provide a formal capital asset policy, a detailed listing of capital assets, and evidence that a capital asset inventory had been completed at least once every two years.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detailed listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY AUDITOR
BARTHOLOMEW COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 25, 2021, with Pia O'Connor, County Auditor; Larry Kleinhenz, President of the Board of County Commissioners; Mark Gorbett, County Council member; Barbara Hackman, County Treasurer; Dalene Pattingill, Chief Deputy Auditor; and Sandy Beatty, Chief Deputy Treasurer.

COUNTY TREASURER
BARTHOLOMEW COUNTY

COUNTY TREASURER
BARTHOLOMEW COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Repeat Finding

A similar comment also appeared in prior Report B55571, entitled *INTERNAL CONTROLS - FINANCIAL CLOSE AND REPORTING*.

Condition and Context

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

1. There was no audit evidence presented to indicate effective internal controls were established to ensure that the monthly bank reconciliements were complete and accurate. A review of the December 31, 2020 reconciliation included the following errors that had not been detected during the reconciliation process:
 - The bank reconciliation had been completed and reviewed; then subsequent transactions were posted as of December 31; however, no supporting documentation was presented for audit for the subsequent transactions, nor had the bank reconciliation been adjusted for the changes.
 - The Treasurer's Daily Record of Cash and Depositories' (Cash Book) Funds Ledger cash balance did not agree to the County Auditor's Funds Ledger balance as of December 31, 2020.

As of December 31, 2020, the audited bank reconciliation indicated that the total cash and investments per the Cash Book to be cash short in the amount of \$201,586.

2. There was no evidence that the Cash Book was properly posted and balanced daily.
 - Two days were noted where the ending balance and the subsequent day's beginning balance did not agree.
 - There was no clear audit trail for supporting documentation for amounts posted to the Cash Book, including adjustments and/or corrections.
 - There was no oversight or review process of either the routine transactions or corrections and/or adjustments posted to the Cash Book.
3. Controls over the Supplemental CAR-1 were not effective.
 - The amounts reported for the beginning cash balance, receipts, disbursements, and ending cash balance of the County Treasurer's fund were incorrect. Adjustments were proposed, approved by management of the County, and made to the financial statement.

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

COUNTY TREASURER
BARTHOLOMEW COUNTY
AUDIT RESULT AND COMMENT
(Continued)

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

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An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

COUNTY TREASURER
BARTHOLOMEW COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 25, 2021, with Barbara Hackman, County Treasurer; Pia O'Connor, County Auditor; Larry Kleinhenz, President of the Board of County Commissioners; Mark Gorbett, County Council member; Dalene Pattingill, Chief Deputy Auditor; and Sandy Beatty, Chief Deputy Treasurer.

COUNTY SHERIFF
BARTHOLOMEW COUNTY

COUNTY SHERIFF
BARTHOLOMEW COUNTY
AUDIT RESULT AND COMMENT

BANK ACCOUNT RECONCILIATIONS

Condition and Context

Monthly depository reconciliations of the fund balances to the bank account balances were not performed by the Sheriff's Department.

Criteria

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."



MATTHEW A. MYERS

Bartholomew County Sheriff

October 26, 2021

Official response to the results and comments pertaining to the Exit Conference

To State Board of Accounts:

The Bartholomew County Sheriff's Office (BCSO) is undertaking corrective action measures for monthly depository reconciliations of the current fund balances to the bank account balances.

However, we would like to note that a reconciliation report (ledger) provided by our Keefe accounting software program was used by the Bartholomew County Sheriff's Office and such report was provided to the SBOA. We do recognize that the SBOA has requested a different format be used which the BCSO will adhere to.

In addition, the BCSO is considering the Audit results and comments provided by the SBOA for continued improvements to provide compliance with the SBOA policies, guidelines and procedures.

Respectfully,

A handwritten signature in black ink, appearing to read "John Martoccia", written over a horizontal line.

Major John Martoccia

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Integrity • Professionalism • Trust

COUNTY SHERIFF
BARTHOLOMEW COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 25, 2021, with Matthew A. Myers, County Sheriff; John Martoccia, Jail Commander; Vicki Thompson, Matron; Debbie Londeree, Administrative Assistant; Pia O'Connor, County Auditor; Larry Kleinhenz, President of the Board of County Commissioners; Mark Gorbett, County Council member; Barbara Hackman, County Treasurer; Dalene Patingill, Chief Deputy Auditor; and Sandy Beatty, Chief Deputy Treasurer.