

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

NOBLE COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED

11/23/2021

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
County Auditor:	
Audit Results and Comments:	
Annual Financial Report - Financial Statement	6-7
Annual Financial Report - Combining Schedule	7
Overdrawn Cash Balances	7-8
Accounting for Coronavirus Relief Funds	8-9
Exit Conference	10

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Tonya L. Jones	01-01-20 to 12-31-21
County Treasurer	Michelle J. Bricker Michelle L. Mawhorter	01-01-20 to 12-31-20 01-01-21 to 12-31-21
Clerk of the Circuit Court	Michelle L. Mawhorter Tammy Bremer	01-01-20 to 12-31-20 01-01-21 to 12-31-21
County Sheriff	Max Weber	01-01-20 to 12-31-21
County Recorder	Candy B. Myers	01-01-20 to 12-31-21
President of the Board of County Commissioners	Gary D. Leatherman	01-01-20 to 12-31-21
President of the County Council	Denise Lemmon	01-01-20 to 12-31-21



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF NOBLE COUNTY, INDIANA

This report is supplemental to our audit report of Noble 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

November 8, 2021

(This page intentionally left blank.)

COUNTY AUDITOR
NOBLE COUNTY

COUNTY AUDITOR
NOBLE COUNTY
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT - FINANCIAL STATEMENT

Condition and Context

The County had not established effective internal controls over the fund financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the County's Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Financial Statement).

The County failed to properly review the fund financial information prepared and submitted in Gateway. Although one employee prepared and entered the fund financial information into Gateway, and another employee reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

Due to the lack of effective internal controls, the Financial Statement presented for audit included the following errors:

- After Settlement Collections fund: Beginning Cash and Investments Balance and Disbursements were each overstated by \$21,672,951; and Receipts and Ending Cash and Investments Balance were each overstated by \$39,247,116.
- Payroll fund: Receipts and Disbursements were each understated by \$6,883,362.
- LIT Economic Development County Share fund: Receipts and Disbursements were each overstated by \$1,085,136.
- Several additional funds had individually immaterial errors that resulted in the understatement of Receipts and Disbursements each by \$511,356, in total.

Audit adjustments were proposed, accepted by the County, and made to the Financial Statement presented in the Annual Financial Statement Audit 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:

"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. . . ."

COUNTY AUDITOR
NOBLE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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](#)."

ANNUAL FINANCIAL REPORT - COMBINING SCHEDULE

Condition and Context

The 2020 Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Combining Schedule) did not report adequate detail of receipts and disbursements. All receipts on the Combining Schedule were reported as "Other Receipts" and all disbursements were reported as "Other Disbursements." Receipt and disbursement categories on the Combining Schedule should reflect proper classifications. Receipts should have included Taxes, Licenses and Permits, Intergovernmental Receipts, Charges for Services, and Fines and Forfeits. Disbursements should have included Personal Services, Supplies, Other Services and Charges, and Debt Service - Principal and Interest.

Criteria

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](#)."

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Report B55416.

Condition and Context

The financial statement presented in the Financial Statement Audit Report included the following funds with an overdrawn cash balance that were not related to either a reimbursable grant fund or a fund reliant on reimbursable fees.

Fund	Amount Overdrawn
Innkeeper Tax	\$ 5,036
MVH Restricted	238,422
Unified Group Services	176,405

COUNTY AUDITOR
NOBLE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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 Counties of Indiana, Chapter 1)

ACCOUNTING FOR CORONAVIRUS RELIEF FUNDS

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) as follows:

The County received six reimbursements from the Indiana Finance Authority (IFA) for expenses submitted. All reimbursements were properly receipted into the CARES Act Grant Fund (Fund) established by the County. For two non-payroll related reimbursements the corresponding expenses were reversed and moved to the Fund as outlined in Framework One of the Directive.

The remaining reimbursements, two for payroll costs and two for non-payroll costs, did not follow the options or frameworks as outlined in the Directive. Instead, the reimbursements were left in the Fund and additional new expenditures were posted to the Fund during the year. These expenditures were spent without appropriation. The County had a year-end balance in the fund of \$1,232,258.

The expenditures upon which reimbursement was based, should have been recorded in the CARES fund or the reimbursed amount transferred through the claims process to the general fund, which would have allowed the money to be expended for any general purpose. Either of these two methods would have allowed for the proper processing and recording of subsequent expenditures.

Criteria

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.

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. . . .**

COUNTY AUDITOR
NOBLE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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.** . . .

Transactions for other permitted costs reimbursed by IFA must be accounted for through one of the following prescribed frameworks. . . .

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)

COUNTY AUDITOR
NOBLE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 8, 2021, with Tonya L. Jones, County Auditor; Gary D. Leatherman, President of the Board of County Commissioners; David J. Dolezal, County Commissioner; Anita F. Hess, County Commissioner; Jacqueline L. Knafel, County Coordinator; and Denise Lemmon, President of the County Council.