

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SPENCER COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED
03/04/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Heidi Greene Melissa L. Bunner	01-01-20 to 09-03-20 09-04-20 to 12-31-22
County Treasurer	Susan Harris Elaine Jones	01-01-20 to 12-31-20 01-01-21 to 12-31-22
Clerk of the Circuit Court	Sara Arnold Darrell Stephens	01-01-20 to 12-31-20 01-01-21 to 12-31-22
County Sheriff	Kelli Reinke	01-01-20 to 12-31-22
County Recorder	Vicki Brauns	01-01-20 to 12-31-22
President of the Board of County Commissioners	James Seiler Thomas Brown James Seiler	01-01-20 to 12-31-20 01-01-21 to 12-31-21 01-01-22 to 12-31-22
President of the County Council	Aaron Benton Steve Haaff	01-01-20 to 12-31-21 01-01-22 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF SPENCER COUNTY, INDIANA

This report is supplemental to our audit report of Spencer 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

February 17, 2022

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COUNTY AUDITOR
SPENCER COUNTY

COUNTY AUDITOR
SPENCER COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

There were deficiencies in the internal control system of the County related to financial transactions and reporting. The County Auditor had not established an effective system of internal controls over disbursements and financial close and reporting.

Disbursements

The County utilized a third-party to process self-insurance disbursements. The third-party processed all disbursements and sent weekly updates to the County Auditor and Deputy County Auditor; however, there was no documented review and approval of the disbursements by the County Auditor. Also, disbursements were not being presented to the Board of County Commissioners for their review and approval.

Financial Close and Reporting

The County Auditor and Deputy County Auditor worked together to prepare the Annual Financial Report (AFR). Prior to submitting the AFR, the County Auditor performed a final review of the report. However, there was no audit evidence provided to show that this process took place during 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.

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 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

COUNTY AUDITOR
SPENCER COUNTY
AUDIT RESULTS AND COMMENTS

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The County Auditor could not provide documentation to support that internal control training for new employees was performed during 2020; however, the certification on the Annual Financial Report indicated that the training was received by all required personnel.

Context

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](#)."

CAPITAL ASSETS

Condition and Context

The County could not provide a complete detailed listing of capital assets owned that reflected their acquisition value. The County is working toward establishing a system and process to compile the necessary information going forward.

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 detail 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 County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR
SPENCER COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 17, 2022, with Melissa L. Bunner, County Auditor; Brian E. Greulich, County Council member; James Seiler, President of the Board of County Commissioners; and Thomas Brown, County Commissioner.

CLERK OF THE CIRCUIT COURT
SPENCER COUNTY

CLERK OF THE CIRCUIT COURT
SPENCER COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

There was a deficiency in the internal control system of the Clerk of the Circuit Court's (Clerk) office related to financial transactions and reporting. The Clerk had not established an effective system of internal controls over financial close and reporting. The Clerk could not provide adequate supporting documentation to support the amounts reported on the Supplemental Annual Financial Report for the audit period. Alternative procedures were performed to verify that the amounts reported were materially accurate.

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. . . ."

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CLERK OF THE CIRCUIT COURT
SPENCER COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 17, 2022, with Melissa L. Bunner, County Auditor; Brian E. Greulich, County Council member; James Seiler, President of the Board of County Commissioners; Thomas Brown, County Commissioner; and Darrell Stephens, Clerk of the Circuit Court.

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COUNTY SHERIFF
SPENCER COUNTY

COUNTY SHERIFF
SPENCER COUNTY
AUDIT RESULT AND COMMENT

OUTSIDE BANK ACCOUNTS

The same comment also appeared in prior Report B53160.

Condition and Context

As of December 31, 2020, the County Sheriff's Department was holding money for the Public Fund and K-9 Fund in bank accounts separate from the County. These funds were not properly remitted to the County Treasurer for deposit, nor disbursed on warrants issued and attested by the County Auditor.

Criteria

Indiana Code 36-2-10-9 states: "The treasurer shall receive money to which the county is entitled and shall disburse it on warrants issued and attested by the county auditor."

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 Counties of Indiana, Chapter 1)

COUNTY SHERIFF
SPENCER COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 17, 2022, with Melissa L. Bunner, County Auditor; Brian E. Greulich, County Council member; James Seiler, President of the Board of County Commissioners; Thomas Brown, County Commissioner; and Dana Kiger, County Sheriff's Department Office Manager.

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COUNTY TREASURER
SPENCER COUNTY

COUNTY TREASURER
SPENCER COUNTY
AUDIT RESULT AND COMMENT

BANK ACCOUNT RECONCILIATIONS

Condition and Context

There was a deficiency in the internal control system of the County Treasurer (Treasurer) related to financial transactions and reporting.

The Treasurer had not established an effective system of internal controls over cash and investments. The Treasurer's bank reconciliation was being performed each month; however, the December 31, 2020 Treasurer's Daily Balance of Cash and Depositories had math errors totaling \$1,719,347 and it did not reconcile to the balance on the monthly financial statement. The internal controls in place were not effective as the errors were not being detected and corrected in a timely manner. A recalculation of the bank reconciliation at December 31, 2020, showed the reconciled bank balances were \$31,691 less than the County's funds ledger balances.

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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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."

COUNTY TREASURER
SPENCER COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 17, 2022, with Melissa L. Bunner, County Auditor; Brian E. Greulich, County Council member; James Seiler, President of the Board of County Commissioners; Thomas Brown, County Commissioner; and Elaine Jones, County Treasurer.

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BOARD OF COUNTY COMMISSIONERS
SPENCER COUNTY

BOARD OF COUNTY COMMISSIONERS
SPENCER COUNTY
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

Documentation was not provided to support that internal control training for new employees was performed during 2020.

Criteria

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

BOARD OF COUNTY COMMISSIONERS
SPENCER COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 17, 2022, with Melissa L. Bunner, County Auditor; Brian E. Greulich, County Council member; James Seiler, President of the Board of County Commissioners; and Thomas Brown, County Commissioner.