

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

POSEY COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED
03/10/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Maegan L. Greenwell	01-01-20 to 12-31-22
County Treasurer	Vicki J. Peerman	01-01-20 to 12-31-22
Clerk of the Circuit Court	Kay Kilgore	01-01-20 to 12-31-22
County Sheriff	Thomas E. Latham, Jr.	01-01-20 to 12-31-22
County Recorder	Mary Rhoades	01-01-20 to 12-31-22
President of the Board of County Commissioners	Carl A. Schmitz Bill Collins	01-01-20 to 12-31-20 01-01-21 to 12-31-22
President of the County Council	Heather Allyn	01-01-20 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF POSEY COUNTY, INDIANA

This report is supplemental to our audit report of Posey 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.

Beth Kelley, CPA, CFE
Deputy State Examiner

February 24, 2022

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COUNTY AUDITOR
POSEY COUNTY

COUNTY AUDITOR
POSEY COUNTY
AUDIT RESULTS AND COMMENTS

ACCOUNTING FOR CORONAVIRUS RELIEF FUNDS

Condition and Context

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

The County receipted the reimbursements from the Indiana Finance Authority (IFA) for non-payroll costs, totaling \$27,670, into the Cares Act Grant Fund. The County then issued claims from the Cares Act Grant Fund to the funds that originally made the disbursements, without posting reversing entries. This caused the appropriations in those funds to not be reinstated.

The noncompliance described above was isolated to non-payroll disbursements. The payroll reimbursement was appropriately accounted for as outlined in the Directive.

Criteria

Reimbursed Costs Other than Public Health and Safety Payroll Costs

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

Framework One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. Reimbursed disbursements originally incurred in another fund will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the fund cash balance and re-appropriate the fund in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the original fund, it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

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

CAPITAL ASSETS

The same comment also appeared in prior Report B53089, entitled *CAPITAL ASSETS*.

Condition and Context

The County's capital asset records consisted of insurance appraisals based upon replacement cost and not historical cost. The County did not maintain a detailed listing of all capital assets owned, which reflected their acquisition value, and an inventory was not taken every two years.

COUNTY AUDITOR
POSEY COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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)

CERTIFICATION AND TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The County incorrectly certified on its Annual Financial Report that County employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the County, had received training over internal control standards that were developed or approved by the Indiana State Board of Accounts. However, the County was unable to provide supporting documentation that showed the required employees had received the training.

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](#)."

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND DISBURSEMENTS

Condition and Context

Six of the ten MVH Restricted fund disbursements selected for compliance testing were for activities not specifically related to construction, reconstruction, or preservation of the County's highways. The disbursements not in compliance included the rental of equipment on unspecified projects and bulk material purchased for non-specified future projects.

Criteria

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

COUNTY AUDITOR
POSEY COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in prior Report B47067, entitled *ANNUAL FINANCIAL REPORT*; Report B50983, entitled *FINANCIAL TRANSACTIONS AND REPORTING*; and Report B53089, entitled *INTERNAL CONTROLS*.

Condition and Context

The County had established internal controls over financial transactions and reporting; however, the internal controls were not effective. The established internal controls did not prevent, or detect and correct, errors with reporting the financial information in the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report and financial statement.

The financial statement presented for audit included the following (overstatements)/understatements of receipts, disbursements, and cash and investment balances:

Fund	Beginning Cash and Investments	Receipts	Disbursements	Ending Cash and Investments
General	\$ 488,250	\$ -	\$ (626)	\$ 488,876
CEDIT County Share	509,106	719,009	509,106	719,009
Congressional School Principal	44,000	-	-	44,000
Payroll Fund	(271)	6,501	(2,674)	8,904
Child Support ONB	(3,964)	255,364	256,748	(5,348)
Odyssey ONB	-	934,564	819,651	114,913
Special Death Benefit Fund	(295)	(1,525)	(1,610)	(210)
After Settlement	-	1,123,101	1,057,171	65,930
Inmate Trust	-	238,972	239,371	(399)
Inmate Commissary	(10,038)	104,719	116,135	(21,454)
Reassessment (2009)	-	494	-	494
Totals	<u>\$ 1,026,788</u>	<u>\$ 3,381,199</u>	<u>\$ 2,993,272</u>	<u>\$ 1,414,715</u>

Adjustments were proposed, accepted by the County, and made to the financial statement.

Criteria

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

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

COUNTY AUDITOR
POSEY 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](#)."

COUNTY AUDITOR
POSEY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 24, 2022, with Maegen L. Greenwell, County Auditor; Shelly Hargrove, Chief Deputy County Auditor; Bill Collins, President of the Board of County Commissioners; Heather Allyn, President of the County Council; and Brian Schorr, County Commissioner.

CLERK OF THE CIRCUIT COURT
POSEY COUNTY

CLERK OF THE CIRCUIT COURT
POSEY COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal control system of the Clerk of the Circuit Court (Clerk) related to financial transactions and reporting. The Clerk had not established an effective internal control system that separated incompatible activities related to cash and investments, receipts, disbursements, and financial close and reporting.

Cash and Investments

The Clerk prepared monthly bank reconciliations. There were no documented internal controls in place to prevent, or detect and correct, errors in cash and investments, such as oversight, review, or approval process of the bank reconciliations.

Receipts

The Chief Deputy Clerk prepared the daily deposit of the Circuit and Superior Court and delivered it to the bank. There was no documented oversight, review, or approval process over the receipting, depositing, and posting of receipts.

Disbursements

All deputy clerks had the ability to prepare checks. There were no documented internal controls in place to prevent, or detect and correct, errors in disbursements, such as an oversight, review, or approval process.

Financial Close and Reporting

Internal controls over the Supplemental CAR-1 report for the Clerk's financial information were not effective. The amounts reported for the Child Support ONB fund were incorrect. As a result, the beginning cash balance was overstated by \$3,964, receipts were overstated by \$3,266, disbursements were overstated by \$1,996, and the ending cash balance was overstated by \$2,653.

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

CLERK OF THE CIRCUIT COURT
POSEY 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:

"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
POSEY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 24, 2022, with Maegen L. Greenwell, County Auditor; Shelly Hargrove, Chief Deputy County Auditor; Bill Collins, President of the Board of County Commissioners; Heather Allyn, President of the County Council; Brian Schorr, County Commissioner; and Kay Kilgore, Clerk of the Circuit Court.

COUNTY HIGHWAY DEPARTMENT
POSEY COUNTY

COUNTY HIGHWAY DEPARTMENT
POSEY COUNTY
AUDIT RESULT AND COMMENT

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND DISBURSEMENTS

Condition and Context

Six of the ten MVH Restricted fund disbursements selected for compliance testing were for activities not specifically related to construction, reconstruction, or preservation of the County's highways. The disbursements not in compliance included the rental of equipment on unspecified projects and bulk material purchased for non-specified future projects.

Criteria

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

COUNTY HIGHWAY DEPARTMENT
POSEY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 24, 2022, with Maegen L. Greenwell, County Auditor; Shelly Hargrove, Chief Deputy County Auditor; Bill Collins, President of the Board of County Commissioners; Heather Allyn, President of the County Council; Brian Schorr, County Commissioner; Steve Schenk, County Highway Superintendent; and Angela Wiley, Highway Department Cost Clerk.

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COUNTY SHERIFF
POSEY COUNTY

COUNTY SHERIFF
POSEY COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

A similar comment also appeared in prior Report B53089, entitled *SUPPLEMENTAL REPORT*.

Condition and Context

There were deficiencies in the internal control system of the County Sheriff related to financial transactions and reporting of the Inmate Commissary fund and the Inmate Trust fund. The County Sheriff had not established an effective internal control system that separated incompatible activities related to disbursements and financial close and reporting.

Disbursements

The County Sheriff, Matron, Administrative Assistant, and all jailers had the ability to prepare checks from the Inmate Trust fund with an autogenerated signature. There were no documented internal controls in place to prevent, or detect and correct, errors in disbursements, such as an oversight, review, or approval process.

The Matron had the ability to prepare and sign checks from the Inmate Commissary fund. There were no documented internal controls in place to prevent, or detect and correct, errors in disbursements, such as an oversight, review, or approval process.

Financial Close and Reporting

Internal controls over the Supplemental CAR-1 report for the County Sheriff's financial information were not effective. The amounts reported for the Inmate Commissary fund were incorrect. As a result, the financial statement beginning cash and investment balance and ending cash and investment balance were each overstated by \$1,594. The amounts for the Inmate Trust fund were also incorrect. As a result, the financial statement beginning cash and investment balance was overstated by \$154,587.

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

COUNTY SHERIFF
POSEY 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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COUNTY SHERIFF
POSEY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 24, 2022, with Magen L. Greenwell, County Auditor; Shelly Hargrove, Chief Deputy County Auditor; Bill Collins, President of the Board of County Commissioners; Heather Allyn, President of the County Council; Brian Schorr, County Commissioner; and Thomas E. Latham, Jr., County Sheriff.