

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CLAY COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED
03/11/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Jennifer M. Flater	01-01-20 to 12-31-22
County Treasurer	Debra James	01-01-20 to 12-31-22
Clerk of the Circuit Court	Amy E. Jordan	01-01-20 to 12-31-22
County Sheriff	Paul Harden	01-01-20 to 12-31-22
County Recorder	(Patricia) Nicole Keller	01-01-20 to 12-31-22
President of the Board of County Commissioners	Bryan Allender Marty Heffner Paul R. Sinderson Marty Heffner	01-01-20 to 06-30-20 07-01-20 to 06-30-21 07-01-21 to 12-31-21 01-01-22 to 06-30-22
President of the County Council	Larry Moss	01-01-20 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF CLAY COUNTY, INDIANA

This report is supplemental to our audit report of Clay 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 28, 2022

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COUNTY TREASURER
CLAY COUNTY

COUNTY TREASURER
CLAY COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

The County had not established effective internal controls in the County Treasurer's office related to cash and investments, receipts, disbursements, and financial close and reporting.

Cash and Investments

The County Treasurer had not established a system of internal control, including segregation of duties, to ensure the accuracy of the cash reconciliation. The bank reconciliations were performed by the County Treasurer, but there was no evidence of an oversight, review, or approval process related to cash reconciliations.

Receipts

The County had established the following internal controls in the County Treasurer's office related to receipts. Each cashier was assigned a drawer number daily by the software. At the end of the day, either one of the cashiers or the Deputy County Treasurer generated a report of the daily collections. This employee then balanced the cash drawers to the report and prepared the deposit slip. The County Treasurer took the deposit to the bank. However, there was no evidence of this process being reviewed. It could not be determined who reviewed the submitted work.

Disbursements

The County Treasurer had established a system of internal control, including segregation of duties, to ensure the accuracy of disbursements reported in its Supplemental Annual Financial Report to the County Auditor. The County Treasurer performed a bank reconciliation at December 31, 2019, for which the cash balance of the after settlement collections was appropriately shown as the source of the current year disbursement, but there was no evidence of an oversight, review, or approval process.

COUNTY TREASURER
CLAY COUNTY
AUDIT RESULT AND COMMENT
(Continued)

Financial Close and Reporting

The County Treasurer had established a system of internal control, including segregation of duties, to ensure that the Supplemental Annual Financial Report prepared and provided to the County Auditor was accurate. However, there was no evidence of an oversight, review, or approval process before submission to the County Auditor.

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 TREASURER
CLAY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 28, 2022, with Debra James, County Treasurer; Jennifer M. Flater, County Auditor; Paul R. Sinderson, Vice President of the Board of County Commissioners; and Jason Thomas, County Council member.

COUNTY AUDITOR
CLAY COUNTY

COUNTY AUDITOR
CLAY COUNTY
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

The County had not established effective internal controls in the County Auditor's office related to cash and investments and financial transactions and reporting.

Cash and Investments

The County had established the following internal control in the County Auditor's office related to cash and investments: the County Auditor and County Treasurer each prepared their Monthly Financial Statement, County Form 47, and compared the activity between the two offices. However, there was no evidence that this internal control procedure was performed.

Financial Transactions and Reporting

The County had established internal controls over the financial information entered in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the County's financial statement; however, the internal controls were not effective. In addition, there was no evidence presented that the internal controls were completed for the financial information entered into Gateway.

Due to the lack of effective internal controls, the financial statement presented for audit did not properly reflect the financial activity of the County. An investment of \$1,000,000 was not reported, and the MVH Restricted fund activity was not reported separately from the Motor Vehicle Highway fund activity.

Audit 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:

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COUNTY AUDITOR
CLAY COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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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](#)."

**REPORTING OF MOTOR VEHICLE HIGHWAY (MVH) AND MOTOR
VEHICLE HIGHWAY (MVH) - RESTRICTED FUNDS**

Condition and Context

Beginning January 1, 2019, the County was required to create a Motor Vehicle Highway (MVH) Restricted sub-fund that would be used exclusively for the construction, reconstruction, and preservation of the County's highways, and be reported separately on the Annual Financial Report and Annual Operational Report.

The County created the sub-fund 1173, MVH Restricted fund on their financial records, but failed to report it separately on its 2020 Annual Financial Report and the financial statement.

Audit adjustments were proposed, approved by the County, and made to the financial statement to report the MVH Restricted fund separately from the Motor Vehicle Highway fund.

Criteria

Together, MVH and MVH Restricted shall constitute the total MVH Fund. The MVH and MVH Restricted will be shown separately on the Annual Financial Report and Annual Operational Report. (State Examiner Directive 2018-2)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Guidelines Manual for County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR
CLAY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 28, 2022, with Jennifer M. Flater, County Auditor; Debra James, County Treasurer; Paul R. Sinders, Vice President of the Board of County Commissioners; and Jason Thomas, County Council member.