

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SHELBY COUNTY, INDIANA

January 1, 2020 to December 31, 2020



**FILED**  
03/21/2022



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Amy Glackman	01-01-20 to 12-31-22
County Treasurer	Kathy A. Plunkett	01-01-20 to 12-31-22
Clerk of the Circuit Court	Jill Taylor	01-01-20 to 12-31-22
County Sheriff	Louie Koch	01-01-20 to 12-31-22
County Recorder	Tawnya J. Williams	01-01-20 to 12-31-22
President of the Board of County Commissioners	Kevin Nigh	01-01-20 to 12-31-22
President of the County Council	Tony Titus	01-01-20 to 12-31-22



**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](http://www.in.gov/sboa)

TO: THE OFFICIALS OF SHELBY COUNTY, INDIANA

This report is supplemental to our audit report of Shelby 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/](http://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

March 14, 2022

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COUNTY AUDITOR  
SHELBY COUNTY

COUNTY AUDITOR  
SHELBY COUNTY  
AUDIT RESULTS AND COMMENTS

**ACCOUNTING FOR THE IFA ADMINISTERED CRF MONEY**

*Condition and Context*

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

The County did not follow one of the three defined frameworks as outlined in the Directive for its non-payroll related expenditures. The reimbursement from the Indiana Finance Authority (IFA) for non-payroll expenditures, totaling \$87,483, was receipted directly into the fund from which the original expenditures were made, instead of the CARES ACT COVID-19 fund (CARES fund). By not receipting the money into the CARES fund and processing reversing entries, the activity was not reflected in the correct funds and appropriations were not re-established in the originating fund.

The County's remaining reimbursement from IFA of \$1,359,282 for public health and safety payroll costs was properly receipted into the CARES fund. Of this amount, \$480,358 was claimed to the County General fund during the year; however, an ordinance was not passed as required by option two in the Directive.

The CARES fund had a year-end balance of \$878,924. This was subsequently corrected in February 2022 by claiming the balance to the County General fund.

*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. . . .**

**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.

COUNTY AUDITOR  
SHELBY COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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 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 reappropriate 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. . . .**

**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.

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. . . .**

**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  
SHELBY COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The County adopted an internal control standards and procedures policy via ordinance 2016-001. Inquiry revealed that new employees hired after 2016 had not received formal internal control training.

The County certified incorrectly on the Indiana Gateway for Government Units financial reporting system that all personnel defined by Indiana Code 5-11-27(e) received training; however, there was no evidence presented that the applicable employees hired after 2016 received the training.

*Criteria*

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

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

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

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 did not provide a complete detailed listing of all capital assets owned which reflected their acquisition value. An equipment and vehicle inventory listing was completed annually by the Board of County Commissioner's office. The County Auditor maintained a separate capital assets listing; however, two of ten items that were selected for testing could not be physically located, and ownership by the County could not be established.

*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  
SHELBY COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND**

*Condition and Context*

The County did not present the Motor Vehicle Highway (MVH) Fund and the Motor Vehicle Highway (MVH) - Restricted Fund separately on the Annual Financial Report for 2020.

*Criteria*

On the chart of accounts, the MVH Fund and MVH Restricted sub-fund shall be shown as follows:

Counties

Fund 1176	MVH
Fund 1173	MVH Restricted . . .

***Together, MVH and MVH Restricted shall constitute the total MVH Fund.*** 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 Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

**INTERNAL CONTROLS**

*Condition and Context*

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 Annual Financial Report (AFR), financial statement, and Schedule of Expenditures of Federal Awards (SEFA); however, the internal controls were not properly implemented. There was no evidence presented that an oversight or review process of the AFR or SEFA submitted in Gateway occurred.

*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  
SHELBY 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. . . ."

COUNTY AUDITOR  
SHELBY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on March 14, 2022, with Amy Glackman, County Auditor; Kevin Nigh, President of the Board of County Commissioners; and Tony Titus, President of the County Council.

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BOARD OF COUNTY COMMISSIONERS  
SHELBY COUNTY

BOARD OF COUNTY COMMISSIONERS  
SHELBY COUNTY  
AUDIT RESULT AND COMMENT

***CAPITAL ASSETS POLICY***

*Condition and Context*

The County did not adopt a formal capital assets policy that includes a dollar value threshold for recording a capital asset.

*Criteria*

The governing body of a unit must have a written policy concerning capital assets that includes at a minimum, the threshold at which an item is considered a capital asset. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

BOARD OF COUNTY COMMISSIONERS  
SHELBY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on March 14, 2022, with Kevin Nigh, President of the Board of County Commissioners; Amy Glackman, County Auditor; and Kevin Titus, President of the County Council.

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COUNTY SHERIFF  
SHELBY COUNTY

COUNTY SHERIFF  
SHELBY COUNTY  
AUDIT RESULT AND COMMENT

***SHERIFF FUNDS OUTSIDE AUDITOR'S LEDGER***

*Condition and Context*

The County Sheriff's Department maintains the accounting for the financial activity of the Kitchen fund at the County Sheriff's Department. The County Auditor, defined as the Fiscal Officer of the County by Indiana Code 36-1-2-7, should maintain the financial accounting for the Vending Machine fund and the Kitchen fund.

Indiana Codes 36-2-7-15 and 36-8-10-21 provide statutory authority for the establishment of the County Sheriff's Cash Book and the Commissary fund, respectively. These are the only two funds specifically authorized to be held by the County Sheriff outside the County Auditor's office.

*Criteria*

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and the Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY SHERIFF  
SHELBY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on March 14, 2022, with Louie Koch, County Sheriff; Amy Glackman, County Auditor; Tony Titus, President of the County Council; and Kevin Nigh, President of the Board of County Commissioners.