

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BLACKFORD COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED
03/24/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Sharon L. Hartley	01-01-19 to 12-31-22
County Treasurer	Dana D. Turner	01-01-19 to 12-31-22
Clerk of the Circuit Court	Laura A. Coons Kimberly Pitts	01-01-19 to 12-31-20 01-01-21 to 12-31-22
County Sheriff	Jeffrey C. Sones	01-01-19 to 12-31-22
County Recorder	Kelli J. Schriver	01-01-19 to 12-31-22
President of the Board of County Commissioners	John A. Lancaster	01-01-19 to 12-31-22
President of the County Council	Daniel E. Borgenheimer	01-01-19 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF BLACKFORD COUNTY, INDIANA

This report is supplemental to our audit report of Blackford County (County), for the period from January 1, 2019 to December 31, 2019. 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

March 7, 2022

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COUNTY AUDITOR
BLACKFORD COUNTY

COUNTY AUDITOR
BLACKFORD COUNTY
AUDIT RESULTS AND COMMENTS

CAPITAL ASSETS

Condition and Context

The County was unable to provide a complete detailed listing of all capital assets owned. A capital assets report dated December 31, 2014, was generated from Microsoft Excel and provided for review. However, this report had not been updated and did not support the Capital Asset Schedule submitted in the Indiana Gateway for Government Units financial reporting system by the County as part of its Annual Financial Report. Additionally, the County did not complete a physical inventory of its capital assets at least every two years.

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)

AUDITOR RECORDS DO NOT RECONCILE WITH TREASURER RECORDS

Condition and Context

The County did not perform the required monthly reconciliation (County Form 61) between the County Auditor and the County Treasurer for any month during the audit period. The County Auditor's fund balance was less than the amount shown on the County Treasurer's Cash Book.

Criteria

At the close of each calendar month a Monthly Financial Statement, County Form No. 61, shall be prepared, showing the financial transactions for the month and year to date, for each fund and in total.

The county treasurer is also required to independently prepare a Monthly Financial Statement on the same form and the two statements must be reconciled. If any differences exist between the records of the auditor and the treasurer, they must be identified, and immediate steps taken to bring the records of the two offices into agreement.

The statements are prescribed to be placed in a post-binder and shall be carefully preserved as a permanent record. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balances must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR
BLACKFORD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 7, 2022, with Sharon L. Hartley, County Auditor; John A. Lancaster, President of the Board of County Commissioners; John Oxley, County Commissioner; Laura A. Coons, County Commissioner; and Fred Tobey, County Council member.

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COUNTY TREASURER
BLACKFORD COUNTY

COUNTY TREASURER
BLACKFORD COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

A similar comment appeared in prior Report B53824, entitled *DEFICIENCY IN INTERNAL CONTROL*.

Condition and Context

The County Treasurer did not have a proper system of internal controls in place over cash and investments to prevent, or detect and correct, errors. The County Treasurer had not separated incompatible activities related to cash and investments. The failure to establish these controls could have enabled material misstatements to remain undetected.

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. . . .

COUNTY TREASURER
BLACKFORD COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . ."

AUDITOR RECORDS DO NOT RECONCILE WITH TREASURER RECORDS

Condition and Context

The County did not perform the required reconciliation between the County Auditor and the County Treasurer's records for any month during the audit period. The County Auditor's fund balance was less than the amount shown on the County Treasurer's Cash Book.

Criteria

The Monthly Financial Statement, Form 61, is a permanent record prepared from the treasurer's funds ledger at the close of each month. It is prepared after all postings to the ledger have been completed for the month and reflects the total receipts and disbursements and the balance for each fund for the month and for the year to date. The statement must agree with a similar statement kept by the county auditor, giving consideration to any adjustments required to reconcile the ledgers of the two offices. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 5)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

COUNTY TREASURER
BLACKFORD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 7, 2022, with Dana D. Turner, County Treasurer; John A. Lancaster, President of the Board of County Commissioners; John Oxley, County Commissioner; Laura A. Coons, County Commissioner; and Fred Tobey, County Council member.

CLERK OF THE CIRCUIT COURT
BLACKFORD COUNTY

CLERK OF THE CIRCUIT COURT
BLACKFORD COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

Condition and Context

The Clerk of the Circuit Court had not separated incompatible activities related to disbursements. One individual was responsible for preparing, recording, and mailing checks. There was no evidence of an oversight, review, or approval process to ensure the accuracy of the disbursements to prevent, or detect and correct, errors or fraud. The lack of controls could have enabled material misstatements to remain undetected.

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. . . ."

CLERK OF THE CIRCUIT COURT
BLACKFORD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 7, 2022, with Kimberly Pitts, Clerk of the Circuit Court; Amy Lathem, Deputy Clerk; John A. Lancaster, President of the Board of County Commissioners; John Oxley, County Commissioner; and Laura A. Coons, County Commissioner.

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COUNTY SHERIFF
BLACKFORD COUNTY

COUNTY SHERIFF
BLACKFORD COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

The County Sheriff (Sheriff) did not have a proper system of internal control over the recording, reconciling, and reporting of the financial transactions of the Inmate Trust and Jail Commissary funds.

Cash and Investments

The County Sheriff had not designed or implemented internal controls, including segregation of duties, to ensure the accuracy of the monthly bank reconciliations. The individual responsible for receipting and disbursing funds was also responsible for performing the monthly reconciliations. There was no evidence of an oversight, review, or approval process to ensure the accuracy of the reconciliations.

Receipts

The County Sheriff did not separate incompatible activities related to receipts. Segregation of duties did not exist as the same individual collected the funds, prepared the bank deposit, deposited the funds, and posted the receipts to the ledger. There was no evidence of an oversight, review, or approval process to prevent, or detect and correct, errors or fraud. The lack of controls could have enabled material misstatements to remain undetected.

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 SHERIFF
BLACKFORD 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. . . ."

CONDITION OF RECORDS

Condition and Context

Several issues were identified during a test of the Inmate Trust fund receipts that were written in December 2019. One receipt, in the amount of \$20, could not be traced to a specific bank deposit. Additionally, 9 out of 22 receipts were not deposited timely. Furthermore, many of the issued manual receipt numbers were not referenced in the Inmate Trust Ledger.

Criteria

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)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY SHERIFF
BLACKFORD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 7, 2022, with Jeffrey C. Sones, County Sheriff; Angela Garlow, County Sheriff Bookkeeper; John A. Lancaster, President of the Board of County Commissioners; John Oxley, County Commissioner; and Laura A. Coons, County Commissioner.