

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MARTIN COUNTY, INDIANA

January 1, 2019 to December 31, 2020



**FILED**  
04/08/2022



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Bobbie Abel	01-01-19 to 12-31-22
County Treasurer	Lori D. Carrico	01-01-19 to 12-31-22
Clerk of the Circuit Court	Gerald D. Montgomery	01-01-19 to 12-31-22
County Sheriff	Travis Roush	01-01-19 to 12-31-22
County Recorder	Rhonda Sanders	01-01-19 to 12-31-22
President of the Board of County Commissioners	Paul R. George	01-01-19 to 12-31-22
President of the County Council	C. Richard Summers Warren Albright	01-01-19 to 12-31-20 01-01-21 to 12-31-22



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF MARTIN COUNTY, INDIANA

This report is supplemental to our audit report of Martin County (County), for the period from January 1, 2019 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

April 4, 2022

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COUNTY AUDITOR  
MARTIN COUNTY

COUNTY AUDITOR  
MARTIN COUNTY  
AUDIT RESULTS AND COMMENTS

**ACCOUNTING AND APPROPRIATION OF COVID-19 GRANT FUNDS**

*Condition and Context*

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

The County received the Indiana Finance Authority (IFA) reimbursement for payroll totaling \$313,017 into the COVID fund (CARES fund). The County then transferred \$280,323 of the payroll reimbursement from the CARES fund to the General fund. The remaining portion was left in the CARES fund to cover non-payroll expenditures totaling \$32,635, which were paid directly from the CARES fund without appropriation after October 22, 2020. The fund had a zero balance as of December 31, 2020.

*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.

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. . . .**

COUNTY AUDITOR  
MARTIN COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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

**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)

**DISBURSEMENT ACTIVITY FROM MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND**

*Condition and Context*

The County created a Motor Vehicle Highway (MVH) Restricted sub-fund within the Motor Vehicle Highway fund and posted 50 percent of the state motor vehicle highway distributions to the sub-fund as required.

During a review of 25 MVH Restricted fund disbursements selected for compliance testing, 22 instances were noted where the activities were not specifically related to construction, reconstruction, or preservation of the County's highways. The disbursements not in compliance included purchases for capital outlays, bulk material purchases for non-specified future projects, and vehicle expenses not allocated to a specific project.

*Criteria*

Indiana Code 8-14-1-4(b) states: "For funds distributed to a county 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."

Qualified expenditures will then be entered accordingly to MVH and MVH Restricted:

MVH: Permissible uses of the State Motor Vehicle Highway (MVH) Account distributions are outlined in Indiana Code 8-14-1-4 for counties and in Indiana Code 8-14-1-5 for cities and towns.

MVH Restricted: Effective July 1, 2018, Indiana Code 8-14-1-4(b) and Indiana Code 8-14-1-5(c) requires at least 50% of the MVH distributions to be used for construction, reconstruction, and preservation of the unit's highways. (Maintenance expenditures no longer count toward the 50% requirement.) (State Examiner Directive 2018-2)

COUNTY AUDITOR  
MARTIN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on April 4, 2022, with Bobbie Abel, County Auditor; Paul R. George, President of the Board of County Commissioners; and Warren Albright, President of the County Council.

CLERK OF THE CIRCUIT COURT  
MARTIN COUNTY

CLERK OF THE CIRCUIT COURT  
MARTIN COUNTY  
AUDIT RESULT AND COMMENT

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

A similar comment appeared in prior Report B53494, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS*.

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

*Receipts*

The Deputy Clerk had the ability to collect receipts, post payments to the accounting system, prepare the daily deposits, and deliver deposits to the bank. There was no documented oversight, review, or approval process over the receipting, depositing, and posting of receipts.

*Disbursements*

The Deputy Clerk prepared the child support checks with the Clerk's signature stamp. The Deputy Clerk prepared the bond checks, which are autogenerated with the Clerk's signature. The Clerk prepared the trust checks, which are autogenerated with the Clerk's signature. All Deputy Clerks have access to the Clerk's signature stamp. 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 of the disbursements.

*Financial Transactions and Reporting*

Internal controls over the Supplemental CAR-1 report for the Clerk's financial information were not effective. The amounts reported for the Clerk's Child Support fund were incorrect. As a result, the beginning cash and investments balance for 2019 was overstated by \$1,199, receipts were understated by \$3,510, disbursements were overstated by \$3,646, and the ending cash and investments balance was overstated by \$1,335. For 2020, the beginning balance was overstated by \$1,335, receipts were understated by \$908, disbursements were understated by \$669, and the ending cash and investments balance was overstated by \$1,096.

CLERK OF THE CIRCUIT COURT  
MARTIN COUNTY  
AUDIT RESULT AND COMMENT  
(Continued)

In addition, the amounts for the Trust fund were also incorrect. As a result, the beginning cash and investments balance for 2019 was overstated by \$11,567, receipts were understated by \$4,151, disbursements were overstated by \$1,364, and the ending cash and investments balance was overstated by \$6,052. For 2020, the beginning balance was overstated by \$6,052, receipts were understated by \$651, disbursements were understated by \$7,574, and the ending cash and investments balance was overstated by \$12,975.

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:

"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 is 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](#)."

CLERK OF THE CIRCUIT COURT  
MARTIN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on April 4, 2022, with Gerald D. Montgomery, Clerk of the Circuit Court; Julie Fithian, Deputy Clerk; Paul R. George, President of the Board of County Commissioners; and Warren Albright, President of the County Council.

COUNTY HIGHWAY DEPARTMENT  
MARTIN COUNTY

COUNTY HIGHWAY DEPARTMENT  
MARTIN COUNTY  
AUDIT RESULT AND COMMENT

**DISBURSEMENT ACTIVITY FROM MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND**

*Condition and Context*

The County created a Motor Vehicle Highway (MVH) Restricted sub-fund within the Motor Vehicle Highway fund and posted 50 percent of the state motor vehicle highway distributions to the sub-fund as required.

During a review of 25 MVH Restricted fund disbursements selected for compliance testing, we noted 22 instances where the activities were not specifically related to construction, reconstruction, or preservation of the County's highways. The disbursements not in compliance included purchases for capital outlays, bulk material purchases for non-specified future projects, and vehicle expenses not allocated to a specific project.

*Criteria*

Indiana Code 8-14-1-4(b) states: "For funds distributed to a county 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."

Qualified expenditures will then be entered accordingly to MVH and MVH Restricted:

MVH: Permissible uses of the State Motor Vehicle Highway (MVH) Account distributions are outlined in Indiana Code 8-14-1-4 for counties and in Indiana Code 8-14-1-5 for cities and towns.

MVH Restricted: Effective July 1, 2018, Indiana Code 8-14-1-4(b) and Indiana Code 8-14-1-5(c) requires at least 50% of the MVH distributions to be used for construction, reconstruction, and preservation of the unit's highways. (Maintenance expenditures no longer count toward the 50% requirement.) (State Examiner Directive 2018-2)

COUNTY HIGHWAY DEPARTMENT  
MARTIN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on April 4, 2022, with Scott Seales, County Highway Superintendent; Terri Alcorn, County Highway Clerk; Paul R. George, President of the Board of County Commissioners; and Warren Albright, President of the County Council.

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COUNTY SHERIFF  
MARTIN COUNTY

COUNTY SHERIFF  
MARTIN COUNTY  
AUDIT RESULT AND COMMENT

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

*Condition and Context*

There were deficiencies in the internal control system of the County Sheriff related to cash and investments, receipts, and disbursements of the Commissary fund and cash and investments of the Inmate Trust fund. The County Sheriff had not established an effective internal control system that separated incompatible activities related to cash and investments, receipts, and disbursements.

*Cash and Investments*

The Jail Matron (Matron) prepared monthly bank reconciliations for both the Commissary and Inmate Trust funds. There were no documented internal controls in place to prevent, or detect and correct, errors in cash and investments, such as an oversight, review, or approval process of the bank reconciliations.

*Receipts*

The Matron collected money for the Commissary fund, prepared the deposit, and delivered it to the bank. There was no documented oversight, review, or approval process over the receipting, depositing, and posting of receipts.

*Disbursements*

The Matron had the ability to prepare and sign checks from the 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 of the disbursements.

*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 is not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

COUNTY SHERIFF  
MARTIN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on April 4, 2022, with Travis Roush, County Sheriff; Miranda Kae Beaver, Jail Matron; Paul R. George, President of the Board of County Commissioners; and Warren Albright, President of the County Council.