

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BOONE COUNTY, INDIANA

January 1, 2020 to December 31, 2020



**FILED**  
04/12/2022



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## SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Heather Myers Debbie Morton-Crum	01-01-20 to 03-06-20 03-07-20 to 12-31-22
County Treasurer	Debbie Ottinger Nikki Baldwin	01-01-20 to 12-31-20 01-01-21 to 12-31-22
Clerk of the Circuit Court	Jessica Fouts	01-01-20 to 12-31-22
County Sheriff	Michael Nielson	01-01-20 to 12-31-22
County Recorder	Nikki Baldwin Debbie Ottinger	01-01-20 to 12-31-20 01-01-21 to 12-31-22
President of the Board of County Commissioners	Don Lawson Tom Santelli Jeff Wolfe	01-01-20 to 12-31-20 01-01-21 to 12-31-21 01-01-22 to 12-31-22
President of the County Council	Steve Jacob Elise Nieshalla	01-01-20 to 04-13-21 04-14-21 to 12-31-22



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of Boone 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 21, 2022

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COUNTY AUDITOR  
BOONE COUNTY

COUNTY AUDITOR  
BOONE 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 options outlined in the State Examiner Directive 2020-3 (Directive).

Reimbursement received from Indiana Finance Authority solely for payroll expenditures was receipted into the CARES fund. The County did not reverse the non-payroll expenditures spent without appropriation from the CARES fund, but rather prepared a claim for the remaining balance, which was receipted into the Rainy Day fund. By not creating reversing entries, expenditure activities were reflected in the incorrect funds and did not re-establish appropriations. The prepared claim should have been receipted into the General fund rather than the Rainy Day fund. In addition, a resolution should have been adopted allowing the claim.

*Criteria*

**Each local unit of government that receives an allocation from the Coronavirus Relief Fund administered by IFA shall establish a separate CARES grant fund with a fund number consistent with memorandum *Accounting and Appropriation of COVID-19 Grants, April 29, 2020 (updated September 29, 2020)*.**

**All Reimbursements received from IFA shall be receipted into a separate CARES grant fund that is specific to IFA reimbursements. . . .**

**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*. (State Examiner Directive 2020-3)**

COUNTY AUDITOR  
BOONE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**AUDITOR RECORDS DO NOT RECONCILE WITH TREASURER RECORDS**

The same comment appeared in the prior Report B56043.

*Condition and Context*

Monthly reconcilements between the County Auditor and the County Treasurer were only performed once during the audit period. Significant differences between the County Auditor's and the County Treasurer's ledger were identified for 11 of the 12 months during the audit period, but neither office identified and corrected those differences.

*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)

**CAPITAL ASSETS**

The same comment appeared in the prior Report B56043.

*Condition and Context*

The County has not properly maintained a complete inventory of capital assets owned. The County has not maintained a complete detailed capital asset listing based on a historical cost basis. The County provided a detailed capital asset listing for buildings and vehicles, but was not able to provide a listing for infrastructure, land, or improvements other than buildings.

*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 Counties of Indiana, Chapter 1)

COUNTY AUDITOR  
BOONE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**OVERDRAWN CASH BALANCES**

*Condition and Context*

The financial statement presented included the following non-grant funds with overdrawn cash balances at December 31, 2020.

Fund	Amount Overdrawn
Insurance - Hoosier Start	\$ 406
Child Support	55
Federal Tax and Unemployment	46,514
FICA and Medicare	84,334
County Tax	37,473
PERF	9,902
State Tax and Unemployment	87,896
Settlement	182,319
Insurance - Reliance Vision	3,630
Insurance - Reliance Dental	19,321
Insurance - Aul Ins Compen	24,507
Insurance - Lord Abbott	75
HSA - Voluntary Savings	202,681

*Criteria*

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

A similar comment appeared in the prior Report B56043.

*Condition and Context*

There were deficiencies in the internal control system of the County Auditor's office related to receipts and financial close and reporting

*Receipts*

The County had not designed internal controls over recording receipts into the ledger. The Deputy County Auditor was solely responsible for recording the receipts and verifying that the amounts were recorded for the proper amount and to the correct fund. There was no oversight or review of receipts.

COUNTY AUDITOR  
BOONE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Financial Close and Reporting*

The County had designed an internal control over financial close and reporting; however, the control was not properly implemented as it did not detect material misstatements in the Annual Financial Report (AFR). The financial statement presented for audit included the following errors:

1. The General fund receipts and disbursements were overstated by \$109,401 and \$111,782, respectively, which understated the ending cash and investment balance by \$2,381.
2. The Community Corrections fund receipts and ending cash and investment balance were each overstated by \$38,078.
3. The MVH Restricted fund receipts and disbursements were each overstated by \$390,547.
4. The Motor Vehicle Highway fund receipts and disbursements were each overstated by \$397,085.
5. The Surplus Tax fund receipts and disbursements were each overstated by \$206,312.
6. The Drainage Maintenance fund receipts and disbursements were each overstated by \$1,229,432.
7. The Co Corrections Fund receipts and disbursements were each overstated by \$178,067.
8. The Insurance - SIHO fund receipts and disbursements were each understated by \$119,824.
9. The Insurance - UMR Health fund receipts and disbursements were each understated by \$3,649,106.
10. The Insurance - Hoosier START fund receipts and disbursements were each overstated by \$113,242.
11. The Settlement fund receipts and disbursements were each overstated by \$191,603.
12. The CVET Agency fund receipts and disbursements were each overstated by \$6,492,171.
13. The LIT Certified Shares fund receipts and disbursements were each overstated by \$4,865,981.
14. The LIT Public Safety fund receipts and disbursements were each overstated by \$263,596.
15. The Local Road and Bridge State Gr fund receipts and disbursements were each overstated by \$360,266.
16. The Bond #2 0182 fund beginning cash and investments balance was overstated by \$488,007.
17. The Bond #2 0182 fund receipts and disbursements were overstated by \$3,380 and \$529,771, respectively, which understated the ending cash and investments balance by \$526,391.

COUNTY AUDITOR  
BOONE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

18. The Treasurer-Excise Taxes Collected fund beginning cash and investments balance was understated by \$296,756, and disbursements were overstated by \$296,756.
19. The Treasurer-Excise Taxes Collected fund ending balance and receipts were each understated by \$1,840,425.

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€ 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. . . ."

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  
BOONE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on March 21, 2022, with Debbie Morton-Crum, County Auditor; Katie Westerfeld, Deputy County Auditor; Melissa Smith, Deputy County Auditor; Caryn Strode, Deputy County Auditor; Nikki Baldwin, County Treasurer; Debbie Ottinger, County Recorder; Elise Nieshalla, President of the County Council; Jeff Wolfe, President of the Board of County Commissioners; Tom Santelli, County Commissioner; and Bob Clutter, County Attorney.

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COUNTY TREASURER  
BOONE COUNTY

COUNTY TREASURER  
BOONE COUNTY  
AUDIT RESULTS AND COMMENTS

**AUDITOR RECORDS DO NOT RECONCILE WITH TREASURER RECORDS**

The same comment appeared in the prior Report B56043.

*Condition and Context*

Monthly reconciliements between the County Auditor and the County Treasurer were only performed once during the audit period. Significant differences between the County Auditor's and the County Treasurer's ledger were identified for 11 of the 12 months during the audit period, but neither office identified and corrected those differences.

*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)

**TIMELY RECORDING**

*Condition and Context*

The County Treasurer had established internal controls related to receipts; however, the internal controls were not properly implemented. The lack of properly implemented internal controls allowed excise tax receipts to not be receipted in a timely manner. The total amount of excise tax receipts not recorded timely caused the amount reported for Treasurer-Excise Taxes Collected fund receipts to be understated by \$1,840,425.

*Criteria*

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 County Treasurers of Indiana, Chapter 1)

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 County Treasurers of Indiana, Chapter 1)

COUNTY TREASURER  
BOONE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**CONDITION OF RECORDS**

*Condition and Context*

The reconciled bank balance as of December 31, 2020, did not agree with the financial statement by \$1,325,163. In addition, the reconciled bank balance did not agree with the County Treasurer's Cash Book by \$555,025.

*Criteria*

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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)

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

A similar comment appeared in the prior Report B56043.

*Condition and Context*

There were deficiencies in the internal control system of the County Treasurer's office related to cash and investments and financial close and reporting

*Cash and Investments*

The County had not designed and implemented an effective system of internal control over cash and investments. One individual was preparing the bank reconciliation without an oversight or review process. In addition, the monthly bank reconciliation was comparing transactions from the bank statement to the software system, and was not always being reconciled to the County Treasurer's Cash Book.

*Financial Close and Reporting*

The County Treasurer had not designed or implemented an effective internal control over financial close and reporting that would have prevented or detected material misstatements from being submitted to the County Auditor for inclusion in the Annual Financial Report.

COUNTY TREASURER  
BOONE COUNTY  
AUDIT RESULTS AND COMMENTS  
(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. . . ."

DEBBIE OTTINGER

OFFICIAL RESPONSE

Date: MARCH 30, 2022

Indiana State Board of Accounts  
302 West Washington St. Room E418  
Indianapolis, IN 46204-2765

Re: AUDIT RESPONSE

First and foremost – please know there is no money missing. Deposits were made every day; all reports were filed every day.

One of my main concerns about this Audit is that I was not notified of Audit concerns until the Exit Conference. I was not given an advanced copy of the report so that I could provide any input or additional information until after the report was complete.

The issues in the report are a direct result of the following:

- 1 – The State Board of Accounts was unable to offer help when I contacted them with my concerns with the problems we were running into.
- 2 – When I advised the SBOA that we were struggling with fund balance issues due to an employee leaving and non-cooperation by the former Auditor, I was told that it happens and I would need to make it work.

The Audit results for 2020 do not reflect all of the corrections for 2020. There are additional corrections that were posted in January 2021, that are not reflected or taken into consideration in this Audit.

The \$1,840,425, was reconciled and is not an issue and as soon as the additional corrections are completed and applied, the other balances will be in line.

The current Treasurer Nikki Baldwin and former County Auditor/Treasurer Deanna Wilhoite have worked diligently in researching transactions and making the corrections needed.

The County Treasurer and County Auditor are required, by law, to work together. When that does not occur, it affects all aspects of both offices.

Deborah S. Ottinger  
Former Boone County Treasurer

COUNTY TREASURER  
BOONE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on March 21, 2022, with Debbie Morton-Crum, County Auditor; Katie Westerfeld, Deputy County Auditor; Melissa Smith, Deputy County Auditor; Caryn Strode, Deputy County Auditor; Nikki Baldwin, County Treasurer; Debbie Ottinger, County Recorder; Elise Nieshalla, President of the County Council; Jeff Wolfe, President of the Board of County Commissioners; Tom Santelli, County Commissioner; and Bob Clutter, County Attorney.