

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BOONE COUNTY, INDIANA

January 1, 2021 to December 31, 2021



**FILED**  
08/05/2022



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SCHEDULE OF OFFICIALS

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



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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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, 2021 to December 31, 2021. 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

July 20, 2022

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COUNTY AUDITOR  
BOONE COUNTY

COUNTY AUDITOR  
BOONE COUNTY  
AUDIT RESULTS AND COMMENTS

**FINANCIAL TRANSACTIONS AND REPORTING**

A similar comment appeared in the prior Report B59056, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

*Condition and Context*

There were deficiencies in the internal control system of the County related to financial transactions and reporting.

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

1. The Sheriff's Inmate Trust fund was omitted, which understated beginning balance by \$52,927, receipts by \$680,056, disbursements by \$662,864, and ending balance by \$70,119.
2. The Sheriff's Commissary fund was omitted, which understated beginning balance by \$140,570, receipts by \$152,746, disbursements by \$238,509, and ending balance by \$54,807.
3. The Treasurer - Excise Taxes Collected fund was omitted, which understated beginning balance by \$6,065,487, receipts by \$7,740,861, disbursements by \$6,065,487, and ending balance by \$7,740,861.
4. The Treasurer - Cash Change Fund was omitted, which understated beginning balance by \$1,000, receipts by \$1,000, disbursements by \$1,000, and ending balance by \$1,000.
5. The Clerk - Trust Account Odyssey fund was omitted, which understated beginning balance by \$3,467,547, receipts by \$8,070,478, disbursements by \$6,200,704, and ending balance by \$6,337,321.
6. The Clerk - ISETS fund was omitted, which understated beginning balance by \$17,139, receipts by \$240,821, disbursements by \$256,857, and ending balance by \$1,103.
7. The Clerk - Court Ordered Interest Bearing Acc fund was omitted, which understated beginning balance by \$3,577, receipts by \$1, and ending cash balance by \$3,578.
8. The Self-Insurance Fund was omitted, which overstated beginning balance by \$194,312, understated receipts by \$6,999,237, understated disbursements by \$6,990,367, and overstated ending cash balance by \$185,442.
9. Other funds contained immaterial errors to amounts recorded for receipts and disbursements.

The financial statement also included the following errors related to payroll funds:

1. The Insurance - UMR Health fund receipts and disbursements were overstated by \$3,260,708.

COUNTY AUDITOR  
BOONE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

2. Fifteen other payroll funds contained immaterial errors in the amounts reported for receipts and disbursements.

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. . . .

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. . . ."

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)

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](#)."

## **SUPPLEMENTAL SCHEDULES IN ANNUAL FINANCIAL REPORT**

*Condition and Context*

Supplemental schedules in the Annual Financial Report, as reported on the Indiana Gateway for Government Units (Gateway) financial reporting system, contained numerous material errors.

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis contained material errors. Adjustments were proposed, accepted by the County, and made to the schedule presented in the Financial Statement Audit Report.

COUNTY AUDITOR  
BOONE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

The County was unable to provide a capital asset listing to support the values reported for Land, Infrastructure, and Improvements Other than Buildings as reported in the Schedule of Capital Assets in Gateway; this schedule was not reported in the Financial Statement Audit Report.

The County did not accurately report Ending Principal Balances and Principal and Interest Due Within One Year, omitted two bonds, and omitted one lease at December 31, 2021. Adjustments were proposed, accepted by the County, and made to the Schedule of Leases and Debt presented in the Financial Statement Audit Report.

The County did not complete the Accounts Receivable portion of the Schedule of Receivables and Payables at December 31, 2021. This schedule was not reported in the Financial Statement Audit Report.

*Criteria*

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](#)."

**OVERDRAWN CASH BALANCES**

The same comment appeared in the prior Report B59056.

*Condition and Context*

The financial statement presented included the following non-grant funds with overdrawn cash balances at December 31, 2021.

Fund	Amount Overdrawn
Self-Insurance Fund	\$ 185,442
Insurance - Hoosier Start	449
Federal Tax and Unemployment	49,980
FICA and Medicare	90,739
County Tax	37,766
PERF	10,421
State Tax and Unemployment	91,894
Insurance - One Amer Std	164
Insurance - Reliance Vision	3,518
Insurance - Reliance Dental	29,095
Insurance - Aul Ins Compen	46,552
Insurance - Lord Abbott	75
HSA Voluntary Savings	202,681
ICJA - COVID	80,000

COUNTY AUDITOR  
BOONE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*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)

**FUND SOURCES AND USES**

*Condition and Context*

Due to changes in fund numbers, the Sheriff Pension Holding fund (originally fund number 5501) was recycled in the financial system to be used for the Clerk Collections fund. This resulted in two different sources and uses of funds occurring within one fund. The Sheriff Pension Holding transactions should have been reversed and recorded to the new Sheriff Pension Holding fund (5100) before the close of the year.

*Criteria*

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

**ACCOUNTING FOR CORONAVIRUS RELIEF FUNDS**

A similar comment appeared in the prior Report B59056.

*Condition and Context*

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

The COVID Safety Awareness grant and the Coronavirus Emergency Supplemental Funding (CESF) grant were co-mingled in the COVID Safety Awareness fund. At December 31, 2021, the COVID Safety Awareness fund had a balance of \$312,338. Disbursements recorded in the fund were for Coronavirus Emergency Supplemental Funding, and these disbursements were also made without being properly appropriated. No disbursements for the COVID Safety Awareness grant were recorded in the fund during 2021.

*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. . . .**

COUNTY AUDITOR  
BOONE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**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)**

## **CAPITAL ASSETS**

The same comment appeared in the prior Report B59056.

### *Condition and Context*

The County had not properly maintained a complete inventory of capital assets owned. The County had 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.

A capital asset policy detailing the threshold at which an item is considered a capital asset was also not adopted by the County.

### *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)

***CERTIFICATION ON INTERNAL CONTROL STANDARDS***

*Condition and Context*

The County incorrectly certified on the Indiana Gateway for Government Units financial reporting system that all applicable employees had received training on internal control standards in 2021. There were seven new hires in 2021 that required training over internal control standards because their positions involved duties including receiving, processing, depositing, disbursing, or otherwise having access to funds. Internal control training certifications were on file for five of these employees. The two other employees did not complete their internal control training until 2022.

*Context*

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 July 20, 2022, with Debbie Morton-Crum, County Auditor; Don Lamb, Vice President of the County Council; Tom Santelli, County Commissioner; Katie Westerfeld, First Deputy County Auditor; Caryn Strode, Deputy County Auditor; and Melissa Smith, Deputy County Auditor.

COUNTY TREASURER  
BOONE COUNTY

COUNTY TREASURER  
BOONE COUNTY  
AUDIT RESULT AND COMMENT

***BANK ACCOUNT RECONCILIATIONS***

*Condition and Context*

The County did not reconcile its bank accounts timely. For all three of the months tested, reconciliations of the County's bank accounts occurred more than one month after the end of the month being reconciled. The County's Self-Insurance bank account was also not reconciled during the audit period.

*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."

COUNTY TREASURER  
BOONE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on July 20, 2022, with Debbie Morton-Crum, County Auditor; Nikki Baldwin, County Treasurer; Don Lamb, Vice President of County Council; Tom Santelli, County Commissioner; Katie Westerfeld, First Deputy County Auditor; Caryn Strode, Deputy County Auditor; and Melissa Smith, Deputy County Auditor.

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COUNTY COUNCIL  
BOONE COUNTY

COUNTY COUNCIL  
BOONE COUNTY  
AUDIT RESULT AND COMMENT

**TRAINING ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

There were seven new hires during 2021 that required training over internal control standards because their positions involved duties including receiving, processing, depositing, disbursing, or otherwise having access to funds. Internal control training certifications were on file for five of these employees. The two other employees did not complete their internal control training until 2022.

*Criteria*

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

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

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

COUNTY COUNCIL  
BOONE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on July 20, 2022, with Debbie Morton-Crum, County Auditor; Don Lamb, Vice President of the County Council; Tom Santelli, County Commissioner; Katie Westerfeld, First Deputy County Auditor; Caryn Strode, Deputy County Auditor; and Melissa Smith, Deputy County Auditor.