

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

FLOYD COUNTY, INDIANA

January 1, 2021 to December 31, 2021



**FILED**  
08/26/2022



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Jacqueline Wenning	01-01-21 to 12-31-22
County Treasurer	Steve Burks	01-01-21 to 12-31-22
Clerk of the Circuit Court	Danita Burks	01-01-21 to 12-31-22
County Sheriff	Frank Loop	01-01-21 to 12-31-22
County Recorder	Lois N. Endris	01-01-21 to 12-31-22
President of the Board of County Commissioners	Shawn Carruthers	01-01-21 to 12-31-22
President of the County Council	Brad Striegel Dale Bagshaw	01-01-21 to 12-31-21 01-01-22 to 12-31-22



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF FLOYD COUNTY, INDIANA

This report is supplemental to our audit report of Floyd 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

August 4, 2022

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COUNTY AUDITOR  
FLOYD COUNTY

COUNTY AUDITOR  
FLOYD COUNTY  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

A similar comment also appeared in prior Report B53154, entitled *FINDING 2018-001*, and Reports B55625 and B58853, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

*Condition and Context*

The County had not established internal controls over the financial information entered in the Indiana Gateway for Government Units financial reporting system, which was the source of the County's Annual Financial Report (AFR). No evidence was presented for audit that indicated someone other than the preparer reviewed the AFR prior to submission.

*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. . . ."

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The County Auditor incorrectly certified on its Annual Financial Report that County employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the County, had received training over internal control standards that were developed or approved by the Indiana State Board of Accounts. However, for two of the five new employees tested, the County was unable to provide supporting documentation that showed the employees had received the training.

COUNTY AUDITOR  
FLOYD COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*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](#)."

**CAPITAL ASSETS**

The same comment appeared in prior Reports B55625 and B58853.

*Condition and Context*

A complete detailed listing of capital assets owned by the County was not provided for audit, nor has the County conducted a periodic physical inventory of its assets. In not retaining a detailed listing of capital assets, it could not be verified if the capital asset schedule submitted with the Annual Financial Report was materially accurate.

*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)

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](#)."

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

The same comment appeared in prior Report B58853.

*Condition and Context*

Two out of ten disbursements tested from the MVH RESTRICTED fund were made for activities not related to the construction, reconstruction, and preservation of the County's highways. These disbursements included professional fees incurred by the Floyd County Stormwater Department and payroll expenses related to work performed by employees of the Floyd County Highway Department.

COUNTY AUDITOR  
FLOYD COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Although the County provided daily work schedule documentation to support the payroll related expenses paid from this fund, the documentation indicated that work being performed included, but was not limited to grass cutting, road patchwork, tree debris clean up, basin cleaning, and removal of garbage. These expenses are not costs associated with the construction, reconstruction, or preservation of the County's paved and unpaved roads, streets, bridges, and highways as required for expenditures from the MVH RESTRICTED fund.

*Criteria*

Indiana Code 8-14-1-5(c) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

COUNTY AUDITOR  
FLOYD COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 4, 2022, with Jacqueline Wenning, County Auditor; Shawn Carruthers, President of the Board of County Commissioners; Dale Bagshaw, President of the County Council; Donald M. Lopp, Director of Operations; and Gloria Jones, Chief Deputy Auditor.

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COUNTY TREASURER  
FLOYD COUNTY

COUNTY TREASURER  
FLOYD COUNTY  
AUDIT RESULT AND COMMENT

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

The same comment appeared in prior Reports B55625 and B58853, and a similar comment appeared in Report B53154, entitled *FINDING 2018-003*.

*Condition and Context*

The County Treasurer did not have a proper system of internal control in place over financial transactions and reporting to prevent, or detect and correct, errors in cash and investments. The County Treasurer had not established internal controls to ensure that the monthly bank reconciliations were complete and accurate.

Bank reconciliations were not properly completed for three of the Treasurer's bank accounts which had significant financial activity. The bank reconciliations for these three bank accounts had large unidentified variances which fluctuated widely from month to month in ranges from cash short of \$1,390,699 to \$3,766,339. The outstanding check list used in the bank reconciliation included ten checks that totaled \$1,443,818 which had been voided within the records and were not removed from the outstanding check list. Additionally, there were seven checks that totaled \$332,174 that were not on the outstanding check list that should have been. A comparison of the Treasurer's Daily Balance of Cash Depositories, Form 47 (Cash Book) to the bank depository account on December 31, 2021, indicated an unidentified cash short of \$598,933.

*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 TREASURER  
FLOYD COUNTY  
AUDIT RESULT AND COMMENT  
(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. . . ."

Indiana Code 5-13-5-1(a) states:

"Every public officer who receives or distributes public funds shall:

- (1) keep a cashbook into which the public officer shall enter daily, by item, all receipts of public funds; and
- (2) balance the cashbook daily to show funds on hand at the close of each day."

The Treasurer's Daily Balance of Cash and Depositories, Form 47, is the record prescribed to enable the treasurer to comply with IC 5-13-5-1. It reflects the daily receipts and disbursements, total amount of cash and investments on hand, and a proof of the financial condition of the office at the close of each day. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 5)

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 Counties of Indiana, Chapter 1)

COUNTY TREASURER  
FLOYD COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 4, 2022, with Jacqueline Wenning, County Auditor; Shawn Carruthers, President of the Board of County Commissioners; Dale Bagshaw, President of the County Council; Donald M. Lopp, Director of Operations; and Gloria Jones, Chief Deputy Auditor.

The contents of this report were discussed on August 8, 2022, with Steve Burks, County Treasurer.

COUNTY HIGHWAY  
FLOYD COUNTY

COUNTY HIGHWAY  
FLOYD COUNTY  
AUDIT RESULT AND COMMENT

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

The same comment appeared in prior Report B58853.

*Condition and Context*

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Indiana Code 8-14-1-5(c) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

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BOARD OF COUNTY COMMISSIONERS  
FLOYD COUNTY

BOARD OF COUNTY COMMISSIONERS  
FLOYD COUNTY  
AUDIT RESULT AND COMMENT

**TRAINING ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The County was unable to provide supporting documentation to show that two of the five new employees tested had received training over internal control standards that were adopted by the County.

*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."

BOARD OF COUNTY COMMISSIONERS  
FLOYD COUNTY  
EXIT CONFERENCE

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