

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

JEFFERSON 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	Sherry Eblen Heather Huff	01-01-21 to 05-27-21 05-28-21 to 12-31-22
County Treasurer	Melinda L. Klopp	01-01-21 to 12-31-22
Clerk of the Circuit Court	Tabatha Eblen	01-01-21 to 12-31-22
County Sheriff	David W. Thomas	01-01-21 to 12-31-22
County Recorder	Molly O'Conner	01-01-21 to 12-31-22
President of the Board of County Commissioners	David Bramer Ron Lee	01-01-21 to 12-31-21 01-01-22 to 12-31-22
President of the County Council	Pam Crozier Ray Denning	01-01-21 to 12-31-21 01-01-22 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of Jefferson 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/.

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 11, 2022

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COUNTY TREASURER
JEFFERSON COUNTY

COUNTY TREASURER
JEFFERSON COUNTY
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING

A similar comment appeared in prior Reports B53759 and B58978, entitled *FINANCIAL TRANSACTIONS AND REPORTING*.

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 monthly bank reconciliations were complete and accurate, and to ensure financial activity was accurately recorded in the County Treasurer's Daily Balance of Cash and Depositories (County Treasurer's Cash Book) and reported.

The following deficiencies were identified:

1. Monthly bank reconciliations were not performed for the self-insurance and revolving loan depository accounts. Bank reconciliations were performed for the other depository accounts; however, the reconciliations contained numerous errors and the incorrect balance was used to reconcile. On December 31, 2021, a difference of \$336,331 cash short existed between the depository account balance and the record balance.
2. Several errors were identified with the activity recorded in the County Treasurer's Cash Book. The amount reported for after-settlement collections contained unidentified variances of negative \$8,645. The monies on hand at the various bank depository accounts did not agree with the total monies on hand for after-settlement collections and the fund ledger balance. An entry was included in the bank depository account of negative \$7,600 to force the depository account balance totals to agree with the total fund ledger and after settlement-collections total.
3. The Fund Ledger Cash and Investment Balance per the County Treasurer's Cash Book (control record) was not in agreement with the County Treasurer's detail funds ledger (subsidiary record). On December 31, 2021, the subsidiary record balance was \$441,302 more than the control record balance.
4. Errors were identified in the financial activity recorded in 2020. Corrections were made to the financial records by adjusting the 2020 financial records instead of making corrections in the current period. This resulted in the beginning cash and investments balance in 2021 being different than the 2020 ending balance previously reported.
5. The County Treasurer's Monthly Financial Report (Form 47TR) was to be prepared monthly in quadruplicate with one copy retained by the County Treasurer and three copies filed with the County Auditor for transmission to the Board of Finance, Board of County Commissioners, and Indiana State Board of Accounts. The reported deposits in transit and outstanding warrants and interest reported could not be traced to supporting documentation. The balance of all ledger accounts reported was not in agreement with amounts reported on the County Treasurer's Cash Book.
6. The financial data reported by the County Treasurer to the County Auditor on the Supplemental Annual Financial Report (CAR-1 report) was not in agreement with the County Treasurer's Cash Book. The "Other Sources" financial activity was omitted, which resulted in receipts and disbursements being understated by \$644,564 and \$652,117, respectively. The ending cash and investment balance was understated by \$644,564.

COUNTY TREASURER
JEFFERSON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of the 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 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 Treasurers of Indiana, Chapter 1)

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 the 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 the day.

The record is designed to be posted "daily", with a separate page for each day. The left side of the page shows the total amount of money for which the treasurer is accountable (charges) and the right side of the page shows the money on deposit invested or on hand (credits), as proof of the financial condition. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 3)

COUNTY TREASURER
JEFFERSON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

On or before the 16th day of each month the treasurer shall prepare a report showing the financial condition of the office as of the close of business on the last day of the preceding month.

This report shall show the amounts with which the treasurer is chargeable for the various funds and accounts, the amounts with which the treasurer is credited for money on deposit, invested and cash on hand and any long or short at the close of each month. The report also provides space for reconciliation with depositories.

The report shall be prepared in quadruplicate and each copy shall be verified by certificate of the treasurer. The treasurer shall retain one copy as a public record in the office and three copies shall be filed with the county auditor. The county auditor shall file the original of said reports with the records of the county board of finance, one copy shall be presented to the board of county commissioners at its next regular meeting, and the county auditor shall immediately transmit one copy to the State Board of Accounts.

This report has been prescribed by the state board of accounts and designated as Form 47TR. This form is self-explanatory and all of the information required can be obtained from the daily balance of cash and depositories, except for the bank balances shown on the bank statements and the amounts of the outstanding warrants which are obtained from the bank reconcilements.

(Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 3)

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](#)."

The supplemental annual report forms are submitted by other county offices and departments to be used by the county auditor to provide complete financial information for the annual report by reporting financial activity that is maintained outside of the county auditor's system. The supplemental annual reports are only to be submitted with financial activity that is not eventually accounted for in the county's general ledger system. (The County Bulletin and Uniform Compliance Guidelines, January 2014)

APPROVED DEPOSITORY

Condition and Context

Monies were on deposit with Farmer Bank of Milton which is not a financial institution approved for deposit of public funds.

Criteria

Indiana Code 5-13-8-1 states:

"(a) A political subdivision may deposit public funds in a financial institution only if the financial institution:

COUNTY TREASURER
JEFFERSON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (1) is a depository eligible to receive state funds; and
- (2) has a principal office or branch that qualifies under section 9 of this chapter to receive public funds of the political subdivision.

(b) The state board of finance shall make available information concerning financial institutions eligible to receive state funds as may be requested by a local board of finance. A local board of finance may rely on certificates described in [IC 5-13-9.5-1\(d\)](#) in determining to deposit public funds or reinvest public funds in the financial institution."

MONTHLY ENGAGEMENT UPLOADS

Condition and Context

The County Treasurer did not upload the required monthly reconciliation between the County Auditor and County Treasurer, Form 61, and the monthly bank reconciliations that were uploaded were not complete, as they did not contain the detailed outstanding checklist and detail of any other reconciling items. Additionally, monthly bank statements for two of the County's depository accounts were not uploaded.

Criteria

This amended directive is effective starting with December 2020 monthly files. The upload of December 2020 monthly files will be due February 15, 2021, and by the 15th of each month thereafter unless the State Board of Accounts (SBOA) establishes a different date. This is effective for 2020 annual files which will be due for upload March 1, 2021, for calendar year end units. . . . Thereafter, annual files must be uploaded no later than March 1st . . . for the prior year end unless the SBOA establishes a different date.

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. . . .

The following files and governmental unit information are required to be uploaded monthly by all units except as noted:

- Bank Reconcilements, Bank Statements, and Outstanding Check Lists
- Approved Board Minutes, please see the user guide for more information and examples
- Funds Ledger, summarizing total receipts, disbursements, and beginning and ending balances by fund . . .

For County Treasurers:

- Cash Balance Reports,
- Bank Reconcilements, Bank Statements, and Outstanding Check List
- Documentation of Reconciliation of Form 61 between Auditor and Treasurer . . .

(Amended State Examiner Directive 2018-1)

COUNTY TREASURER
JEFFERSON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY TREASURER
JEFFERSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 11, 2022, with Meghan Hoskins, First Deputy County Treasurer; Heather Huff, County Auditor; Ron Lee, President of the Board of County Commissioners; Ray Denning, President of the County Council; and Judy L. Smith, County Council member.

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COUNTY AUDITOR
JEFFERSON COUNTY

COUNTY AUDITOR
JEFFERSON COUNTY
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING

A similar comment appeared in prior Report B53759, entitled *ANNUAL FINANCIAL REPORT*, and Report B58978, entitled *FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

There were deficiencies in the internal control system of the County Auditor related to financial close and reporting, and disbursements.

Financial Close and Reporting

The County had not established a system of internal control over the financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the County's Annual Financial Report and financial statement. Due to the lack of internal controls the financial statement included the follow material errors:

1. One fund was omitted from the financial statement. The fund had no receipts and disbursements activity for the year, and a beginning and ending cash and investments balance of \$15,389.
2. The beginning cash and investments balance for three funds were incorrectly reported on the financial statement. The error resulted in the beginning cash and investments balance being overstated by \$710,399.
3. Activity for two funds were reported on the financial statement that did not have financial activity in 2021. The error resulted in the beginning cash and investments balance being overstated by \$9,290.
4. Financial activity for the Clerk Cash Bond fund presented in the financial statement, by the County Auditor (Auditor), differed from the financial activity provided by the Clerk of the Circuit Court (Clerk) to the Auditor for inclusion in the financial statement. The beginning cash and investments balance reported by the Auditor was \$182,715 more than reported by the Clerk. The receipts reported by the Auditor were \$702,017 more than reported by the Clerk. Disbursements reported by the Auditor were \$1,041,949 more than reported by the Clerk, and the ending cash and investments balance was \$157,217 less than reported by the Clerk.

Audit adjustments were proposed, accepted by the County, and made to the financial statement.

Disbursements

The County did not have a proper system of internal control over disbursements related to its Self-Insurance fund. Payments made to the County's third-party administrator for the processing of health insurance claims and payments of related administrative fees did not have a documented review and approval process to ensure the health insurance claims processed were for actual employees of the County.

Additionally, procedures were not in effect to ensure Self-Insurance fund payments were recorded timely to the financial records.

COUNTY AUDITOR
JEFFERSON 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. . . ."

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 also appeared in prior Report B58978.

Condition and Context

The Capital Asset values reported in the County's Annual Financial Report, as required by Indiana Code 5-11-1-4, were inaccurate. The County did not properly maintain an inventory of capital assets during the audit period that supported the amounts reported. A physical inventory had not taken place in the past two years.

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) day 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
JEFFERSON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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)

COUNTY AUDITOR
JEFFERSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 11, 2022, with Heather Huff, County Auditor; Ron Lee, President of the Board of County Commissioners; Ray Denning, President of the County Council; and Judy L. Smith, County Council member.

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COUNTY SHERIFF
JEFFERSON COUNTY

COUNTY SHERIFF
JEFFERSON COUNTY
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING

A similar comment appeared in prior Reports B53759 and B58978, entitled *BANK ACCOUNT RECONCILIATIONS*, and in a Management Letter addressed to the County Sheriff for the audit period ending December 31, 2020.

Condition and Context

There were several deficiencies in the internal control system of the County Sheriff's Department related to financial transactions and reporting.

Commissary Funds

Internal control deficiencies over the Sheriff Commissary funds were identified as follows:

1. The County Sheriff (Sheriff) had not separated incompatible activities related to financial transactions of the Sheriff Commissary fund. One employee was responsible for issuing receipts; reconciling daily collections; preparing and making bank deposits; recording receipts and disbursement transactions to the financial records; and performing the reconciliation of the depository account balance with the record balance. This same individual was also an authorized signer on the depository bank account and signed checks on occasion if the Sheriff was not available.
2. Internal controls were not in place to verify the receipt of goods or services prior to payment of invoices.
3. Internal controls in place over the approval of disbursements were ineffective. The Sheriff compared the invoiced amount with the check prepared by the Bookkeeper and indicated his approval by signing the check. The internal control was not considered effective as the Bookkeeper had access to the Sheriff's signature stamp thus making it difficult to ascertain which disbursements were approved by the Sheriff or stamped by the Bookkeeper. The Bookkeeper was also an authorized signer on the depository account and would on occasion sign checks when the Sheriff was not available.
4. There were no oversight, review, or approval processes in place over the financial transactions or the monthly bank reconciliations.

Inmate Trust

Internal control deficiencies over the Sheriff Inmate Trust funds were identified as follows:

1. The Sheriff had not separated incompatible activities related to financial transactions of the Sheriff Inmate Trust accounts. One employee was responsible for issuing receipts; reconciling daily collections; preparing and making bank deposits; recording receipts, disbursements, and adjustments in the financial records; and issuing checks.
2. Internal controls were not in place to ensure monies were deposited in a timely manner. Deposits were typically only made once a week with amounts deposited exceeding \$500.

COUNTY SHERIFF
JEFFERSON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

3. Internal controls were not in place over disbursements. There were no internal controls in place to verify the receipt of goods prior to payment of invoices or for the approval of payments. There were no internal controls in place to verify that amounts invoiced by the vendor for goods ordered by the inmates had been properly deducted from the inmates' accounts. Internal controls were not in place to ensure documentation was retained to support disbursements made.
4. Internal controls were not in place over the inventory of debit cards issued to inmates to ensure all card were properly accounted for and the dollar value placed on the card was properly authorized.
5. A process was not in place to review the financial records to identify unusual or incorrect financial transactions. A review of the financial ledger identified several accounts that had unexpected and usual balances indicating financial activity had not been recorded properly in the records or processed correctly within the computerized accounting system. The following accounts were identified as having improper or unusual balances:
 - a. The Vendor Payable account for amounts owed to vendors for inmate purchases had a debit balance; whereas the account was expected to have a credit balance if activity had been properly recorded within the financial system.
 - b. The Inmate Bond payable account had a balance at year end that was comprised of amounts associated with inmate balances that existed prior to 2021. If transactions had been properly recorded in the financial records, there should be a zero-balance associated with any activity prior to 2021 as the monies should have been disbursed to the Clerk of the Circuit Court.
 - c. The Cash Checking account had a large deficit balance. This was the result of financial transactions that had not been properly processed within the computerized accounting system to finalize the receipt of electronic funds transfers and correctly record the activity to the cash checking account.
 - d. The Payment Cards A/P account, representing amounts refunded to inmates via the use of debit cards, had activity within the account that not been properly processed within the accounting system. If transactions had been properly processed, the activity within the account would have been cleared from the account and recorded in the cash checking account.
 - e. The Debt Account A/R account representing amounts owed by inmates for purchases had activity related to prior years that had not been properly processed and cleared out within the financial system to charge the individual inmate accounts.
6. A reconciliation of the depository account balance with the financial ledger record balance was not performed.
7. Reconciliation of the inmate subsidiary control account to the detail subsidiary record was not performed.
8. There were no internal controls in place over recording and approving adjustment transactions to the financial records.

COUNTY SHERIFF
JEFFERSON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

9. Internal controls were not in place to ensure accurate reporting of financial activity on the Supplemental Annual Financial Report submitted to the County Auditor for inclusion in the annual financial statement. As a result, the amounts reported to the County Auditor were incorrect.

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. . . ."

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

Indiana Code 5-13-6-1(g) states in part:

"The following are not required to deposit funds on the business day following receipt if the funds on hand do not exceed five hundred dollars (\$500): . . .

- (2) A local officer of a political subdivision required to deposit funds under subsection (c) other than a township trustee . . ."

Indiana Code 5-13-6-1(3) 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 ledgers, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY SHERIFF
JEFFERSON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

The supplemental annual report forms are submitted by other county offices and departments to be used by the county auditor to provide complete financial information for the annual report by reporting financial activity that is maintained outside of the county auditor's system. The supplemental annual reports are only to be submitted with financial activity that is not eventually accounted for in the county's general ledger system. (The County Bulletin and Uniform Compliance Guidelines, January 2014)

SHERIFF COMMISSARY FUND DISBURSEMENTS

Condition and Context

Disbursements were made from the Sheriff Commissary fund that were not in compliance with Indiana Code 36-8-10-21. In addition, the County did not have a local ordinance authorizing the disbursements. Of the disbursements tested, 33 percent were not in compliance. Expenditures were made for items, such as, medical testing of officers for fitness of duty; wireless service; catering of meals for staff training and appreciation; advertising; sponsorship of sheriff association golf scramble, and office repairs.

Criteria

Indiana Code 36-8-10-21 states:

"(a) This section applies to any county that has a jail commissary that sells merchandise to inmates.

(b) A jail commissary fund is established, referred to in this section as 'the fund.' The fund is separate from the general fund, and money in the fund does not revert to the general fund.

(c) The sheriff, or the sheriff's designee, shall deposit all money from commissary sales into the fund, which the sheriff or the sheriff's designee shall keep in a depository designated under [IC 5-13-8](#).

(d) The sheriff, or the sheriff's designee, at the sheriff's or the sheriff's designee's discretion and without appropriation by the county fiscal body, may disburse money from the fund for:

- (1) merchandise for resale to inmates through the commissary;
- (2) expenses of operating the commissary, including, but not limited to, facilities and personnel;
- (3) special training in law enforcement for employees of the sheriff's department;
- (4) equipment installed in the county jail;
- (5) equipment, including vehicles and computers, computer software, communication devices, office machinery and furnishings, cameras and photographic equipment, animals, animal training, holding and feeding equipment and supplies, or attire used by an employee of the sheriff's department in the course of the employee's official duties;
- (6) an activity provided to maintain order and discipline among the inmates of the county jail;

COUNTY SHERIFF
JEFFERSON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (7) an activity or program of the sheriff's department intended to reduce or prevent occurrences of criminal activity, including the following:
 - (A) Substance abuse.
 - (B) Child abuse.
 - (C) Domestic violence.
 - (D) Drinking and driving.
 - (E) Juvenile delinquency;
- (8) expenses related to the establishment, operation, or maintenance of the sex and violent offender registry web site under [IC 36-2-13-5.5](#); or
- (9) any other purpose that benefits the sheriff's department that is mutually agreed upon by the county fiscal body and the county sheriff.

Money disbursed from the fund under this subsection must be supplemental or in addition to, rather than a replacement for, regular appropriations made to carry out the purposes listed in subdivisions (1) through (8).

(e) The sheriff shall maintain a record of the fund's receipts and disbursements. The state board of accounts shall prescribe the form for this record. The sheriff shall semiannually provide a copy of this record of receipts and disbursements to the county fiscal body. The semi-annual reports are due on July 1 and December 31 of each year."

MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

Condition and Context

The County Sheriff did not perform the required monthly and annual engagement document uploads. Monthly cash balance reports, bank reconcilements, banks statements, and outstanding check lists were not uploaded for the Sheriff Inmate Trust and Sheriff Commissary funds. Bank statements uploaded for the County Sheriff Cash Book did not include the optical image of the cancelled checks. Additionally, the Inmate Trust Subsidiary Detail as of December 31, 2021, was not uploaded.

Criteria

This amended directive is effective starting with December 2020 monthly files. The upload of December 2020 monthly files will be due February 15, 2021, and by the 15th of each month thereafter unless the State Board of Accounts (SBOA) establishes a different date. This is effective for 2020 annual files which will be due for upload March 1, 2021, for calendar year end units. . . . Thereafter, annual files must be uploaded no later than March 1st . . . for the prior year end unless the SBOA establishes a different date.

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. . . .

COUNTY SHERIFF
JEFFERSON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

The following files and governmental unit information are required to be uploaded monthly by all units except as noted: . . .

For County Clerks, Recordors, and Sheriffs:

- Cash Balance Reports,
- Bank Reconcilements, Bank Statements, and Outstanding Check Lists

The following files and governmental unit information are required to be uploaded annually (for Counties, these apply to County Auditors unless otherwise noted): . . .

- Additionally, for County Sheriff only: Inmate Trust Fund Subsidiary Detail as of December 31 . . .

(Amended State Examiner Directive 2018-1)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY SHERIFF
JEFFERSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 11, 2022, with David W. Thomas, County Sheriff; Megan Humphrey, County Sheriff Administrative Assistant; Heather Huff, County Auditor; Ron Lee, President of the Board of County Commissioners; Ray Denning, President of the County Council; and Judy L. Smith, County Council member.

CLERK OF THE CIRCUIT COURT
JEFFERSON COUNTY

CLERK OF THE CIRCUIT COURT
JEFFERSON COUNTY
AUDIT RESULTS AND COMMENTS

SUPPLEMENTAL ANNUAL REPORT (CAR-1)

Condition and Context

The Clerk of the Circuit Court did not have a proper system of internal control in place over financial transactions and reporting to prevent, or detect and correct, errors. Internal controls in place were not effective to detect errors on the Supplemental CAR-1 (CAR-1) submitted to the County Auditor for inclusion of the financial activity in the County's annual financial statement.

The amount reported on the CAR-1 did not include the financial activity associated with the child support system (ISETS). The amount reported also did not include financial activity for the first five months of the year maintained in the computerized accounting system used prior to switching to a new computerized system in May 2021. As a result, the amounts reported to the County Auditor understated the beginning cash and investments balance by \$44,862, understated receipts by \$876,104, and understated disbursements by \$831,242.

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 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](#)."

The supplemental annual report forms are submitted by other county offices and departments to be used by the county auditor to provide complete financial information for the annual report by reporting financial activity that is maintained outside of the county auditor's system. The supplemental annual reports are only to be submitted with financial activity that is not eventually accounted for in the county's general ledger system. (The County Bulletin and Uniform Compliance Guidelines, January 2014)

CLERK OF THE CIRCUIT COURT
JEFFERSON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

Condition and Context

The Clerk of the Circuit Court did not upload the required monthly cash balance reports, bank reconcilements, bank statements, and outstanding check lists for the financial activity for child support enforcement (ISETS). Additionally, the Court Trust Fund Subsidiary Detail as of December 31, 2021, was not uploaded.

Criteria

This amended directive is effective starting with December 2020 monthly files. The upload of December 2020 monthly files will be due February 15, 2021, and by the 15th of each month thereafter unless the State Board of Accounts (SBOA) establishes a different date. This is effective for 2020 annual files which will be due for upload March 1, 2021, for calendar year end units. . . . Thereafter, annual files must be uploaded no later than March 1st . . . for the prior year end unless the SBOA establishes a different date.

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. . . .

The following files and governmental unit information are required to be uploaded monthly by all units except as noted: . . .

For County Clerks, Recorders, and Sheriffs:

- Cash Balance Reports,
- Bank Reconcilements, Bank Statements, and Outstanding Check Lists

The following files and governmental unit information are required to be uploaded annually (for Counties, these apply to County Auditors unless otherwise noted): . . .

- Additionally, for County Clerk and Cities/Towns with courts: Court Trust Fund Subsidiary Detail as of December 31. . . .

(Amended State Examiner Directive 2018-1)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

CLERK OF THE CIRCUIT COURT
JEFFERSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 11, 2022, with Tabatha Eblen, Clerk of the Circuit Court; Heather Huff, County Auditor; Ron Lee, President of the Board of County Commissioners; Ray Denning, President of the County Council; and Judy L. Smith, County Council member.