

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MARSHALL COUNTY, INDIANA

January 1, 2021 to December 31, 2021



FILED
09/01/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Julie A. Fox	01-01-21 to 12-31-22
County Treasurer	Angela C. Birchmeier	01-01-21 to 12-31-22
Clerk of the Circuit Court	Deborah P. VanDeMark	01-01-21 to 12-31-22
County Sheriff	Matthew K. Hassel	01-01-21 to 12-31-22
County Recorder	Janet Howard	01-01-21 to 12-31-22
President of the Board of County Commissioners	Kevin G. Overmyer	01-01-21 to 12-31-22
President of the County Council	Tim Harman Mandy Campbell	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 MARSHALL COUNTY, INDIANA

This report is supplemental to our audit report of Marshall 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 17, 2022

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COUNTY SHERIFF
MARSHALL COUNTY

COUNTY SHERIFF
MARSHALL COUNTY
AUDIT RESULTS AND COMMENTS

INMATE TRUST RECORDS

The same comment also appeared in the prior Report B57303.

Condition and Context

Indiana Code 36-8-10-22 requires the County Sheriff of each County that operates a County jail to hold, in trust separately for each inmate, any money received from that inmate or from another person on behalf of that inmate. This statute specifically requires the County Sheriff to maintain a record of each trust fund's receipts and disbursements.

The County Sheriff failed to properly implement internal controls over the processing and safeguarding of the Sheriff's Inmate Trust Account funds records.

The Sheriff's Inmate Trust Accounts are maintained via an electronic software system. The County Sheriff's Department stated the electronic software system had backup procedures in place to secure the data. However, the County failed to test the backup files in 2020 to verify that critical data could be restored from a backup file and ensure restoration of information in a timely manner.

The Sheriff's Inmate Trust Account software crashed and all historical data was lost prior to August 31, 2020, and had not been restored as of July 28, 2022. The County Sheriff was unable to provide details or history for inmates who were residents prior to August 31, 2020. It was indicated that neither electronic backup files, nor manual hard copy documentation of the Sheriff's Inmate Trust Account balances was maintained for the period January 1, 2020 to August 31, 2020.

Prior to adjustments being recorded in the trust ledger after the crash, the Sheriff's Inmate Trust Account fund bank account exceeded the detail by \$85,258. An employee, who worked for the software company, estimated \$16,024 in expenses from inmate trust accounts by prorating various non-inmate expense accounts based on a percentage of total funds prior to the crash, such as indigent haircuts, commissary, medical, extra meal cards, property damage, and miscellaneous supplies. They then deposited the balance of the difference, \$69,234, into a retained earnings account. Only documented actual expenses can be removed from an inmate's trust account.

The County Sheriff has not properly reconciled the inmate trust account since June 2020. As of December 31, 2021, the Sheriff's Inmate Trust Account bank and ledger balance exceeded the detail inmate trust ledger by \$69,234, the amount posted to retained earnings.

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 SHERIFF
MARSHALL COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 36-8-10-22 states:

- "(a) This section applies to any county that operates a county jail.
- (b) The sheriff shall hold in trust separately for each inmate any money received from that inmate or from another person on behalf of that inmate.
- (c) If the inmate or the inmate's legal guardian requests a disbursement from the inmate's trust fund, the sheriff may make a disbursement for the personal benefit of the inmate, including but not limited to a disbursement to the county jail commissary.
- (d) Upon discharge or release of an inmate from the county jail, the sheriff shall pay to that inmate or the inmate's legal guardian any balance remaining in the inmate's trust fund.
- (e) If an inmate is found guilty of intentionally destroying or losing county property after a hearing conducted under [IC 11-11-5-5](#), the sheriff may disburse from the inmate's trust fund or commissary account sums of money as reimbursement to the county for the inmate's intentional destruction or loss of county property, including but not limited to clothing, bedding, and other nondisposable items issued by the county to the inmate. Before disbursing money under this subsection, the sheriff shall adopt rules to administer this procedure.
- (f) The sheriff shall maintain a record of each trust fund's receipts and disbursements. The state board of accounts shall prescribe the form for this record."

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)

JAIL COMMISSARY LEDGER

A similar comment appeared in a Management Letter addressed to the County Sheriff for the audit period ending December 31, 2020.

Condition and Context

Indiana Code 36-8-10-21 applies to any county that has a jail commissary that sells merchandise to inmates. This statute specifically requires the County Sheriff to maintain a record of the jail commissary fund's receipts and disbursements in a form prescribed by the Indiana State Board of Accounts (SBOA).

A Ledger of Receipts, Disbursements, and Balances Commissary Fund, Form 205, has been prescribed by the SBOA. The County Sheriff's department used a commercially purchased software program (QuickBooks) to prepare spreadsheets to serve as the Jail Commissary ledger. However, QuickBooks does not retain an audit trail of the original transaction when a receipt or check is voided.

COUNTY SHERIFF
MARSHALL COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

The accounting application should provide extensive data editing validation and change capability upon input and before a transaction is posted to an account, but no ability to change data after it is posted. If an error is discovered after the transaction is posted a separate correcting transaction must be made in the accounting period that it is discovered. Under no circumstances must an error be corrected in a year that has been closed.

Accounting information must not be modified by computer utility programs which are not contained in the accounting application system. The accounting application system must be supported by the computerized and manual procedures to ensure the following error correction controls are implemented:

- The type of error condition is recorded.
- The original transaction creating the error is retained within the system.
- A reversing transaction to eliminate the effect of the error is entered and retained with the system.
- The correct transaction is entered into the system and recorded.
- Management approval for error correction is documented.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Political Subdivisions - Information Technology, page 12)

COUNTY SHERIFF
MARSHALL COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 17, 2022, with Julie A. Fox, County Auditor; Kevin G. Overmyer, President of the Board of County Commissioners; Mandy Campbell, President of the County Council; Stan Klotz, County Commissioner; Mike Burroughs, County Commissioner; Jim Masterson, Vice President of the County Council; Jon VanVactor, County Council member; and Matthew K. Hassel, County Sheriff.