

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MIAMI COUNTY, INDIANA

January 1, 2021 to December 31, 2021



FILED
09/14/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Mary Brown	01-01-21 to 12-31-22
County Treasurer	Annette Phillippo	01-01-21 to 12-31-22
Clerk of the Circuit Court	Sherry Raber	01-01-21 to 12-31-22
County Sheriff	Timothy S. Hunter	01-01-21 to 12-31-22
County Recorder	Paul Wilson	01-01-21 to 12-31-22
President of the Board of County Commissioners	Alan Hunt	01-01-21 to 12-31-22
President of the County Council	Ralph Duckwall	01-01-21 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF MIAMI COUNTY, INDIANA

This report is supplemental to our audit report of Miami 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 24, 2022

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COUNTY AUDITOR
MIAMI COUNTY

COUNTY AUDITOR
MIAMI COUNTY
AUDIT RESULTS AND COMMENTS

CAPITAL ASSETS

Condition and Context

The County maintained a capital asset inventory listing; however, it was not updated and maintained accurately. Of the ten randomly selected capital asset items tested, two items that should have been removed from the listing were not properly removed. Those two items were two EMA vehicles that were disposed of during the audit period.

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)

FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

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

The County Auditor designed an internal control over financial close and reporting; however, the internal control was ineffective as it did not detect and allow correction of material misstatements in the Annual Financial Report and the financial statement.

As a result of ineffective internal controls, the financial statement included an overstatement in receipts and ending cash balance for the Treasurer Trust in the amount of \$14,275,785. There were also various other errors totaling \$132,236.

Adjustments were proposed, accepted by the County, and made to the financial statement presented in the Financial Statement Audit Report for the County.

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 AUDITOR
MIAMI COUNTY
AUDIT RESULTS AND COMMENTS
(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 5-11-1-4(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

The Supplemental Schedules in the Annual Financial Report, as reported on the Indiana Gateway for Government Units financial reporting system, contained material errors.

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis contained a material error of \$14,275,785. There were also various other errors totaling \$132,236. Adjustments were proposed, accepted by the County, and made to the schedule presented in the Financial Statement Audit Report.

The Schedule of Capital Assets contained a material error in the amount of \$2,048,073. An adjustment was proposed, accepted by the County, and made to the schedule presented in the Financial Statement Audit Report.

The Schedule of Payables and Receivables contained a material error in Accounts Receivable in the amount of \$1,708,387. An adjustment was proposed, accepted by the County, and made to the schedule presented 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](#)."

COUNTY AUDITOR
MIAMI COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 24, 2022, with Mary Brown, County Auditor; Alan Hunt, President of the Board of County Commissioners; Brenda Weaver, County Commissioner; Ralph Duckwall, President of the County Council; and Sandy Chittum, County Council member.

COUNTY TREASURER
MIAMI COUNTY

COUNTY TREASURER
MIAMI COUNTY
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Repeat Comment

The same comment appeared in the immediately prior Report B57198.

Condition and Context

The County Treasurer did not have an effective system of internal control in place to ensure that bank account reconciliations were properly prepared. The County Treasurer's bank reconciliation as of December 31, 2021, did not agree to the County's Annual Financial Report. The unidentified variance was cash short of \$307,994. However, in 2022, the County Treasurer identified posting errors of \$306,895 that were not included as reconciling items on the December 31, 2021 reconciliation.

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 public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

The County Treasurer did not have adequate internal controls in place to ensure that the financial information provided to the County Auditor for the Treasurer Trust fund was accurate. The Supplemental County Annual Report prepared by the County Treasurer was not reviewed by a second individual prior to submission to the County Auditor for inclusion in the Annual Financial Report, which was the source of the financial statement.

Due to the lack of internal controls, the financial statement included an overstatement in receipts and ending cash and investments balance for the Treasurer Trust fund in the amount of \$14,275,785.

COUNTY TREASURER
MIAMI COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Adjustments were proposed, accepted by the County, and made to the financial statement presented in the Financial Statement Audit Report.

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:

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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 TREASURER
MIAMI COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 24, 2022, with Mary Brown, County Auditor; Annette Phillippo, County Treasurer; Alan Hunt, President of the Board of County Commissioners; Brenda Weaver, County Commissioner; Ralph Duckwall, President of the County Council; and Sandy Chittum, County Council member.

CLERK OF THE CIRCUIT COURT
MIAMI COUNTY

CLERK OF THE CIRCUIT COURT
MIAMI COUNTY
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Repeat Comment

The same comment appeared in the immediately prior Report B57198.

Condition and Context

The Clerk of the Circuit Court (Clerk) did not have effective internal controls in place to ensure that all bank accounts were reconciled. The Clerk did not reconcile all accounts on a monthly basis. The Clerk had a bank account for "Old" trust items with a balance of \$23,492 on December 31, 2021, that was not reported on their financial statement nor was it properly reconciled.

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 public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

Condition and Context

Completed bank reconciliations for the ISETS account and the "old" Trust account had not been uploaded timely to the Indiana Gateway for Government Units financial reporting system for January through December 2021, and for the Clerk Trust account for December 2021. Additionally, the Court Trust Fund Subsidiary Detail for 2021 was not uploaded.

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

Criteria

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)

SUPPLEMENTAL COUNTY ANNUAL REPORT

Condition and Context

The Supplemental County Annual Report (CAR-1) submitted to the County Auditor by the Clerk of the Circuit Court did not contain all funds. The "Old" Trust fund, in the amount of \$23,492, was not included in the CAR-1 provided to the County Auditor for inclusion in the Annual Financial Report, which was the source of the financial statement.

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](#)."

CLERK OF THE CIRCUIT COURT
MIAMI COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 24, 2022, with Mary Brown, County Auditor; Annette Phillippo, County Treasurer; Sherry Raber, Clerk of the Circuit Court; Alan Hunt, President of the Board of County Commissioners; Brenda Weaver, County Commissioner; Ralph Duckwall, President of the County Council; Sandy Chittum, County Council member; and Marianne Mock, First Deputy County Clerk.