

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

GREENE COUNTY, INDIANA

January 1, 2021 to December 31, 2021



FILED
09/16/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Matthew W. Baker	01-01-21 to 12-31-22
County Treasurer	Nicole L. Stahl-Troutman Samantha Mahan (interim) Samantha Mahan	01-01-21 to 05-13-22 05-14-22 to 06-10-22 06-11-22 to 12-31-22
Clerk of the Circuit Court	Stuart A. Dowden	01-01-21 to 12-31-22
County Sheriff	Michael L. Hasler	01-01-21 to 12-31-22
County Recorder	Sarah J. Bender	01-01-21 to 12-31-22
President of the Board of County Commissioners	Nathan L. Abrams	01-01-21 to 12-31-22
President of the County Council	Gregg Roudebush	01-01-21 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF GREENE COUNTY, INDIANA

This report is supplemental to our audit report of Greene 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 31, 2022

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COUNTY AUDITOR
GREENE COUNTY

COUNTY AUDITOR
GREENE COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

The same comment appeared in prior Report B57388.

Condition and Context

The County Auditor did not have a proper system of internal controls in place to prevent, or detect and correct, errors in the Annual Financial Report entered into the Indiana Gateway for Government Units (Gateway) financial reporting system which was the source of the financial statement. The County Auditor entered the financial information into Gateway, without a review or approval process to ensure the information was accurate.

Due to lack of internal controls, the financial statement presented for audit contained the following errors:

1. The Tax Settlement/Distribution fund was omitted from the financial statement, resulting in an understatement of receipts and disbursements of \$26,907,576.
2. The activity of BIC Bond Sale fund was not included on the ledger or the financial statement, resulting in an understatement of receipts and disbursements in the amount of \$8,265,000.
3. General fund receipts and ending cash and investments balance were overstated \$495,458 due to the inclusion of the sale of an investment from total monies on deposit.
4. An early withdrawal penalty on an investment was not recorded on the ledger or the financial statement.

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. . . ."

COUNTY AUDITOR
GREENE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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](#)."

REDEVELOPMENT AUTHORITY BOND PAYMENTS

Condition and Context

The County entered into a lease with the Greene County Redevelopment Authority (Authority). Lease payments made by the County were paid directly to the bank, rather than the Authority. The County should disburse the lease payments to the Authority. The Authority should pay the bond payments to the bank.

Criteria

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

ERRORS ON CLAIMS

Condition and Context

Three of twenty-four claims tested were not included on the Accounts Payable Voucher Register. Therefore, these disbursements were not subject to review and approval by the Board of County Commissioners.

Criteria

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

COUNTY AUDITOR
GREENE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 31, 2022, with Matthew W. Baker, County Auditor; Nathan L. Abrams, President of the Board of County Commissioners; Kelly Zimmerly, Vice President of the County Council; Marvin Abshire, County Attorney; and Heather Perry, Deputy County Auditor.

COUNTY TREASURER
GREENE COUNTY

COUNTY TREASURER
GREENE COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROL OVER BANK ACCOUNT RECONCILIATIONS

A similar comment also appeared in prior Report B57388, entitled *BANK ACCOUNT RECONCILIATIONS*, and in Management Letters addressed to the County Treasurer, County Council, and Board of County Commissioners for the audit periods ending December 31, 2018 and 2019.

Condition and Context

The County Treasurer's bank reconciliations presented for audit contained the following errors:

1. The County Auditor's and County Treasurer's fund balances agreed each month on the Harris Monthly Comparison Report of the fund accounts. However, the County Treasurer did not use this balance to reconcile to the bank account balance. In preparing the monthly bank reconciliations, the County Treasurer used the fund balance total in the County Treasurer's Cash Book. The County Treasurer's Cash Book balance did not agree with the Monthly Comparison Report for any month during the audit period.
2. The December 31, 2021 bank reconciliation in the County Treasurer's Cash Book was \$117,707 less than the ledger balance.
3. The fund ledger balance recorded on the County Treasurer's Cash Book was \$794,837 less than the County Auditor's fund ledger balance.
4. The December 31, 2021 outstanding check list presented for the County's main bank account erroneously included checks that had already cleared the bank in December 2021.
5. Monthly reconciliations were prepared for each individual bank account, but a combined reconciliation of all bank accounts to total fund balance was not performed.
6. On September 10, 2021, a withdrawal of \$500,000 was made from the County Treasurer's total monies on deposit investments. The investment balance reported on the County Treasurer's Cash Book did not include this withdrawal.

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. . . .

COUNTY TREASURER
GREENE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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."

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 County Treasurers of Indiana, Chapter 1)

INVESTMENTS

The same comment appeared in the prior Report B57388.

Condition and Context.

The County Treasurer held investments of \$4,500,000 on December 31, 2021, that were previously managed by the investment department of First Financial Bank of Terre Haute. The custody of the investments was subsequently transferred to Pacific Life and the County is working with a new investment manager. While Pacific Life sells authorized securities to the local government unit, the custody of the securities must be made through depositories designated by the State Board of Finance, of which Pacific Life is not.

The County originally purchased investments with First Financial Bank of Terre Haute in the amount of \$5,000,000. The County made an early withdrawal of \$500,000 on September 10, 2021, that resulted in a loss to the principal balance of \$4,542.

Criteria

Indiana Code 5-13-9-2.5 states in part:

"(a) An officer designated in section 1 of this chapter may invest or reinvest funds that are held by the officer and available for investment in investments commonly known as money market mutual funds that are in the form of securities of or interests in an open-end, no-load, management-type investment company or investment trust registered under the provisions of the federal Investment Company Act of 1940, as amended (15 U.S.C. 80a et seq.).

(b) The investments described in subsection (a) shall be made through depositories designated by the state board of finance as depositories for state deposits under [IC 5-13-9-5](#).

(c) The portfolio of an investment company or investment trust described in subsection (a) must be limited to the following:

- (1) Direct obligations of the United States.
- (2) Obligations issued by any of the following:

COUNTY TREASURER
GREENE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (A) A federal agency.
- (B) A federal instrumentality.
- (C) A federal government sponsored enterprise.
- (3) Repurchase agreements full collateralized by obligations described in subdivision (1) or (2). . . ."

Investments can only be made in accordance with statutory guidelines. Losses and expenses related to any unauthorized investments and unauthorized investment procedures may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

COUNTY TREASURER
GREENE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 31, 2022, with Samantha Mahan, County Treasurer; Jamie Thompson, Deputy County Treasurer; Nathan L. Abrams, President of the Board of County Commissioners; Kelly Zimmerly, Vice President of the County Council; Marvin Abshire, County Attorney; and Nicole L. Stahl-Troutman, former County Treasurer.

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CLERK OF THE CIRCUIT COURT
GREENE COUNTY

CLERK OF THE CIRCUIT COURT
GREENE COUNTY
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Condition and Context

Bank reconciliations were not performed from August through December of 2021 for the trust account.

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."

CONDITION OF RECORDS

The same comment appeared in prior Reports B44610, B47757, B48155, B51413, B51415, B53189, B55143, and B57388.

Condition and Context

Financial records presented for audit for the Clerk of the Circuit Court's (Clerk) funds were incomplete and not reflective of the activity of the Clerk's funds. The records presented included a printout from an old MHI software system with a detail of accounts payable that did not agree to the amount being used as the cash fund balance. This is an old software system that cannot be converted to the new Odyssey system and contains many posting errors made over a long period of time. The last activity in this account was in 2018. As of December 31, 2021, the detail to the control ledger was \$59,356 short.

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."

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 Clerks of the Circuit Courts of Indiana, Chapter 1)

ANNUAL FINANCIAL STATEMENT

Condition and Context

The Clerk did not report the ISETS (Child Support) account receipts and disbursement activity to the County Auditor for it to be included on the Annual Financial Report entered in Gateway for Government Units financial reporting system, which was the source of the financial statement. The account activity was presented to and approved by the Clerk to be included on the financial statement.

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

Criteria

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 Clerks of the Circuit Courts, 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](#)."

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The Clerk of the Circuit Court did not comply with the State Examiner Directive 2018-1 and failed to upload into the Indiana Gateway for Government Units financial reporting system the required monthly and annual files for January 2021 through December 2021.

The files and governmental unit information that are required to be uploaded monthly include the bank reconcilements, bank statements and outstanding check lists.

Annual upload requirements include the Court Trust Fund Subsidiary Detail (as of December 31).

Criteria

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)

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 . . .

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

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)

CLERK OF THE CIRCUIT COURT
GREENE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 31, 2022, with Stuart A. Dowden, Clerk of the Circuit Court; Nathan L. Abrams, President of the Board of County Commissioners; Kelly Zimmerly, Vice President of the County Council; and Marvin Abshire, County Attorney.

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BOARD OF COUNTY COMMISSIONERS
GREENE COUNTY

BOARD OF COUNTY COMMISSIONERS
GREENE COUNTY
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

This same comment appeared in prior Report B57388.

Condition and Context

The County personnel whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the County, had not received training over internal control standards during 2021, that were developed or approved by the Indiana State Board of Accounts.

Criteria

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

"After June 30, 2016, the legislative body of each 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
GREENE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 31, 2022, with Nathan L. Abrams, President of the Board of County Commissioners; Kelly Zimmerly, Vice President of the County Council; and Marvin Abshire, County Attorney.