

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MONTGOMERY COUNTY, INDIANA

January 1, 2021 to December 31, 2021



**FILED**  
10/05/2022



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Jennifer Andel	01-01-21 to 12-31-22
County Treasurer	Heather Laffoon	01-01-21 to 12-31-22
Clerk of the Circuit Court	Karyn Douglas	01-01-21 to 12-31-22
County Sheriff	Ryan Needham	01-01-21 to 12-31-22
County Recorder	Jennifer Pursell	01-01-21 to 12-31-22
President of the Board of County Commissioners	John Frey	01-01-21 to 12-31-22
President of the County Council	Tom Mellish	01-01-21 to 12-31-22



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF MONTGOMERY COUNTY, INDIANA

This report is supplemental to our audit report of Montgomery County (County), for the period from January 1, 2021 to December 31, 2021. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement Audit Report of the County, which provides our opinions on the County's financial statement. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE  
Deputy State Examiner

September 27, 2022

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COUNTY AUDITOR  
MONTGOMERY COUNTY

COUNTY AUDITOR  
MONTGOMERY COUNTY  
AUDIT RESULTS AND COMMENTS

**ANNUAL FINANCIAL REPORT**

*Condition and Context*

The County did not have adequate internal controls in place over financial reporting to ensure the accuracy of the information being reported.

The County reported its financial activity into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report (AFR) and the financial statement. Transactions and cash balances were erroneously reported for the building corporation. This resulted in an overstatement of receipts of \$5,681,295; an overstatement of disbursements of \$174,858; and an overstatement of ending cash and investments balance of \$5,506,437. Other errors in receipts, disbursements, and cash and investments balances also existed, but were immaterial.

Additionally, some of the supplemental information reported in the AFR contained material errors:

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis contained the errors related to the building corporation noted above.

The Schedule of Leases and Debt did not accurately report the ending principal balances and principal and interest due within one year for five of the debt issues reported. This resulted in an overstatement of ending principal balances totaling \$11,791,004 and an overstatement of \$1,349,829 in principal and interest due within one year. Additionally, one of the leases understated annual payments by \$20,500 and one lease was not reported at all resulting in an understatement of annual lease payments of \$206,000.

Adjustments were proposed, accepted by the County, and made to the financial statement, the Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, and the Schedule of Leases and Debt.

*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  
MONTGOMERY 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](#)."

**ACCOUNTING FOR THE IFA ADMINISTERED CRF MONEY**

The same comment appeared in the immediately prior Report B57203.

*Condition and Context*

The County did not properly account for the Coronavirus Relief Fund in accordance with the options outlined in State Examiner Directive 2020-3 (the Directive). The Directive states the County must utilize one of two prescribed options to account for public health and safety payroll costs or one of the three frameworks for other costs; however, none of these options were followed. In 2021, the County was reimbursed for public health and safety payroll costs. The County receipted the money into the proper grant fund and then made direct expenditures from the grant fund for vendor payments.

The County also ended the audit period with a balance in the CARES Safety Awareness 20.019 fund of \$118,429.

*Criteria*

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options.

**Option One.** Reimbursements received from IFA shall be receipted into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and reappropriate the general fund (or other fund) in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the general fund (or other fund), it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once option one is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

**Option Two.** Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

COUNTY AUDITOR  
MONTGOMERY COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020. . . .**

Transactions for other permitted costs reimbursed by IFA must be accounted for through one of the following prescribed frameworks.

**Framework One.** Reimbursements received from IFA shall be receipted into the separate CARES grant fund. Reimbursed disbursements originally incurred in another fund will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the fund cash balance and re-appropriate the fund in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the original fund, it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

**Framework Two.** If IFA has provided reimbursement based on unpaid invoices or purchase orders, then reimbursements received from IFA shall be receipted into the separate CARES grant fund. The expenditures to vendors will be made through the CARES grant fund and these expenditures must match the application made to IFA. If the actual invoice or invoices relating to a purchase order is less than the purchase order, then the difference in the money expended to the vendor and the amount received for the purchase order from IFA must be returned to IFA. The items on the invoice must match the items on the purchase order. All documentation must be maintained.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

**Framework Three.** If you have created a negative balance in your CARES fund based on expenditures made in anticipation of receipt of reimbursement for allowable expenditures where invoices have already been submitted to IFA then leave as is and receipt reimbursement when received, bringing the balance in the separate CARES grant fund to zero. Going forward, expend any anticipated allowable expenditures from a fund with an appropriation and follow framework one. If a negative balance in the CARES grant fund is not fully reimbursed, then the unreimbursed amount will require a reverse entry and posting of the expenditure to the general or other appropriate fund within an appropriated line item.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

(State Examiner Directive 2020-3)

COUNTY AUDITOR  
MONTGOMERY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 27, 2022, with Tom Mellish, President of the County Council; Tom Klein, County Administrator; Jennifer Andel, County Auditor; and Mindy Byers, Chief Deputy County Auditor.