

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SHELBY COUNTY, INDIANA

January 1, 2021 to December 31, 2021



FILED
12/22/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Amy Glackman	01-01-21 to 12-31-22
County Treasurer	Kathy Plunkett	01-01-21 to 12-31-22
Clerk of the Circuit Court	Jill Taylor	01-01-21 to 12-31-22
County Sheriff	Louie Koch	01-01-21 to 12-31-22
County Recorder	Tawnya J. Williams	01-01-21 to 12-31-22
President of the Board of County Commissioners	Kevin Nigh	01-01-21 to 12-31-22
President of the County Council	Tony Titus	01-01-21 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF SHELBY COUNTY, INDIANA

This report is supplemental to our audit report of Shelby 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

December 5, 2022

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COUNTY AUDITOR
SHELBY COUNTY

COUNTY AUDITOR
SHELBY COUNTY
AUDIT RESULTS AND COMMENTS

TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS

The same comment appeared in prior Report B58855.

Condition and Context

The County certified incorrectly on the Indiana Gateway for Government Units financial reporting system that all personnel defined by Indiana Code 5-11-27(e) received training. There was no evidence presented that the applicable employees hired after 2016 received the training.

Context

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

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

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](#)."

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

The same comment appeared in prior Report B58855.

Condition and Context

The County did not present the Motor Vehicle Highway (MVH) and the MVH - Restricted funds separately on the Annual Financial Report for 2021.

Criteria

On the chart of accounts, the MVH Fund and MVH Restricted sub-fund shall be shown as follows:

Counties

Fund 1176	MVH
Fund 1173	MVH Restricted . . .

Together, MVH and MVH Restricted shall constitute the total MVH Fund. MVH and MVH Restricted will be shown separately on the Annual Financial Report and Annual Operational Report. . . . (State Examiner Directive 2018-2)

COUNTY AUDITOR
SHELBY 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 County Auditors of Indiana, Chapter 1)

INTERNAL CONTROLS

The same comment also appeared in prior Report B58855.

Condition and Context

The County had established internal controls over the financial information entered in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the County's Schedule of Expenditures of Federal Awards (SEFA); however, the internal controls were not properly implemented. Due to the lack of effective internal controls, the SEFA presented for audit included the following errors:

1. The Highway Planning and Construction Cluster expenditures were overstated by \$1,396,030.
2. The COVID-19 - Community Development Block Grant was omitted, which understated expenditures by \$244,000.
3. The Opioid STR grant was omitted, which understated expenditures by \$60,000.
4. The Homeland Security Grant was omitted, which understated expenditures by \$43,000.
5. The Public Health Emergency Preparedness grant was omitted, which understated expenditures by \$154,865.
6. The Violence Against Women Formula Grants expenditures were understated by \$38,061.
7. Other errors included incorrect program titles and Assistance Listings Numbers.

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 AUDITOR
SHELBY 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. . . ."

ANNUAL FINANCIAL REPORT

Condition and Context

The Schedule of Capital Assets (Schedule) reported in the Indiana Gateway for Government Units (Gateway) financial reporting system was not materially accurate. Capital asset documentation was provided by both the County Auditor and the Board of County Commissioner's office and did not agree to the Schedule. An amount from one list provided by the Board of County Commissioner's office was not included on the Schedule.

In addition, the County's Grant Schedule reported in Gateway also contained material errors as described in the *Internal Controls* audit result and comment.

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
SHELBY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 5, 2022, with Amy Glackman, County Auditor; Kathy Plunkett, County Treasurer; Kevin Nigh, President of the Board of County Commissioners; Tony Titus, President of the County Council; and Mandi Waltermann, Deputy County Auditor.

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BOARD OF COUNTY COMMISSIONERS
SHELBY COUNTY

BOARD OF COUNTY COMMISSIONERS
SHELBY COUNTY
AUDIT RESULT AND COMMENT

CAPITAL ASSETS POLICY

The same comment also appeared in prior Report B58855.

Condition and Context

The County did not adopt a formal capital assets policy that detailed the threshold at which an item is considered a capital asset.

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)

BOARD OF COUNTY COMMISSIONERS
SHELBY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 5, 2022, with Amy Glackman, County Auditor; Kathy Plunkett, County Treasurer; Kevin Nigh, President of the Board of County Commissioners; Tony Titus, President of the County Council; and Mandi Walterman, Deputy County Auditor.

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COUNTY TREASURER
SHELBY COUNTY

COUNTY TREASURER
SHELBY COUNTY
AUDIT RESULT AND COMMENT

MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

This same comment appeared in a Management Letter addressed to the County Treasurer for the audit period ending December 31, 2020.

Condition and Context

The County Treasurer did not upload the required monthly and annual engagement uploads to the Indiana Gateway for Government Units financial reporting system during 2021.

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 purpose of this Directive is to provide guidelines for the use of the "Indiana Gateway for Government Units" application entitled "Monthly and Annual Engagement Uploads (Engagement Uploads). The Engagement Uploads provide a more efficient and cost-effective audit process for governmental units.

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. . . .

(Amended State Examiner Directive 2018-1)

COUNTY TREASURER
SHELBY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 5, 2022, with Amy Glackman, County Auditor; Kathy Plunkett, County Treasurer; Kevin Nigh, President of the Board of County Commissioners; Tony Titus, President of the County Council; and Mandi Waltermann, Deputy County Auditor.