

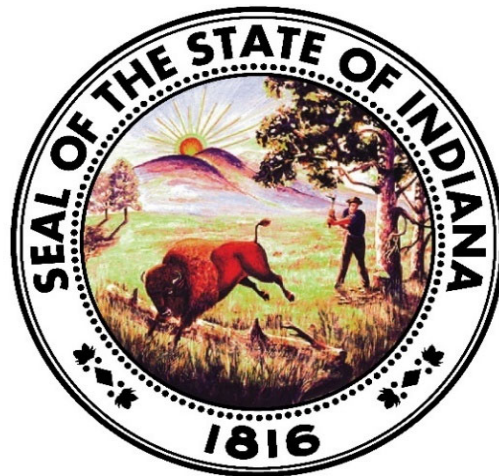
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT

OF

JENNINGS COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED
06/20/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Tessia Salsman Kitty Shepherd (interim) Sarah Abel	01-01-22 to 08-01-22 08-02-22 to 08-14-22 08-15-22 to 12-31-23
County Treasurer	Tina Brison	01-01-22 to 12-31-23
Clerk of the Circuit Court	Amy Thompson	01-01-22 to 12-31-23
County Sheriff	William K. Freeman	01-01-22 to 12-31-23
County Recorder	Mary Dorsett Kilgore	01-01-22 to 12-31-23
President of the Board of County Commissioners	Matt Sporleder	01-01-22 to 12-31-23
President of the County Council	Tina M. Ellis	01-01-22 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF JENNINGS COUNTY, INDIANA

This report is supplemental to the audit report of Jennings County (County), for the period from January 1, 2022 to December 31, 2022. 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 the 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

May 17, 2023

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COUNTY AUDITOR
JENNINGS COUNTY

COUNTY AUDITOR
JENNINGS COUNTY

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

Financial Close and Reporting

The County had not established effective internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the County's Annual Financial Report and financial statement.

The County failed to properly review the financial information prepared and submitted in Gateway. Although the Deputy Auditor prepared and entered the financial information into Gateway, and the County Auditor reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

Due to the lack of effective internal controls, the financial statement presented for audit omitted several County funds. A majority of the funds omitted were funds of the various County offices that are required to be reported to the County Auditor as part of the Supplemental Annual Report (CAR-1). In addition, several funds contained incorrect totals.

Disbursements

The County did not have a proper system of internal control over payroll withholdings paid electronically. These payments were not approved by the fiscal officer and the governing body of the County prior to being paid to the appropriate vendors.

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 5-11-1-4(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
JENNINGS COUNTY
(Continued)

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. . . ."

ANNUAL FINANCIAL REPORT

Condition and Context

Financial, supplemental, and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The County had not established effective internal controls over the AFR information entered into Gateway which resulted in the following errors:

Financial Data

1. The Treasurer's After Settlement Collections Fund was not included, which resulted in an understated beginning balance of \$922,729, receipts of \$706,795, disbursements of \$922,729, and ending balance of \$706,795.
2. The Sheriff's Commissary Fund, Inmate Trust 1, Inmate Trust 2, and Sheriff's Donation Fund were not included, which resulted in a total understated beginning balance of \$450,153, receipts of \$1,376,059, disbursements of \$1,427,430, and ending balance of \$398,782.
3. The Clerk of the Circuit Courts Odyssey Fund, Patel, and Child Support Fund were not included, which resulted in a total understated beginning balance of \$972,938, receipts of \$2,053,724, disbursements of \$2,139,948, and ending balance of \$886,714.
4. The Tourism Board's Tourism Fund was not included, which resulted in an understated beginning balance of \$36,799, receipts of \$29,000, disbursements \$26,909, and ending balance of \$38,890.
5. The amounts reported for the Reassessment Fund was incorrect, resulting in an understatement of the beginning balance of \$205,591, receipts of \$10,000, disbursements of \$215,589, and ending balance of \$2.

COUNTY AUDITOR
JENNINGS COUNTY
(Continued)

Adjustments were proposed, accepted by the County, and made to the financial statement and to the combining schedules presented as Required Supplementary Information presented in the Financial Statement Audit Report.

Grants

1. The Highway Planning and Construction Cluster had total misstatement of expenditures of \$1,152,322 between the various projects.
2. The Child Support Enforcement grant expenditures were understated by \$246,489.
3. The Crime Victim Assistance program expenditures were overstated by \$118,065.
4. The COVID-19 - Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii grant was omitted, which understated expenditures by \$62,616.
5. Several additional grants had individually immaterial errors that resulted in misstatements of expenditures of \$92,479, in total.
6. Other errors included incorrect pass-thru entity names, program names, and identifying numbers.

Adjustments were proposed, accepted by the County, and made to the Schedule of Expenditures of Federal Awards presented in the Federal Compliance 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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COUNTY AUDITOR
JENNINGS COUNTY
(Continued)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

The same comment also appeared in prior Report B59790.

Condition and Context

The County did not report the Motor Vehicle Highway (MVH) and the MVH Restricted as separate funds on the Annual Financial Report.

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)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The County Auditor incorrectly certified on the Annual Financial Report that the County had provided employees with internal control training. The County did not provide documentation that three of seven employees tested, whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds, received training over the County's adopted internal control standards as required.

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](#)."

MONTHLY AND ANNUAL UPLOADS

A similar comment also appeared in prior Report B59790.

Condition and Context

The files and governmental unit information that are required to be uploaded monthly for County Auditors include approved monthly Board minutes, funds ledger, and documentation of the reconciliation between the County Auditor and County Treasurer's office.

COUNTY AUDITOR
JENNINGS COUNTY
(Continued)

Annual upload requirements for County Auditors include detail of receipt activity, detail of disbursement activity, current year salary ordinance, an annual vendor history report, an annual funds ledger, and an annual payroll history report.

The County Auditor did not comply with the State Examiner Directive and failed to upload all the monthly and annual files on the Indiana Gateway for Government Units financial reporting system for 2022 on a timely basis.

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)

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 AUDITOR
JENNINGS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 17, 2023, with Sarah Abel, County Auditor; Matt Sporleder, President of the Board of County Commissioners; Tina M. Ellis, President of the County Council; and Amy Jump, Chief Deputy Auditor.

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COUNTY SHERIFF
JENNINGS COUNTY

COUNTY SHERIFF
JENNINGS COUNTY
AUDIT RESULT AND COMMENT

MONTHLY AND ANNUAL UPLOADS

A similar comment also appeared in prior Report B59790.

Condition and Context

The files and governmental unit information that are required to be uploaded monthly for County Sheriffs include the bank reconcilements, bank statements, outstanding check lists, and cash balance reports that includes Form 54, Sheriff's Cash Book, Form 205, the ledger of receipts, disbursements, and balances for the Commissary fund, and Form 358, the ledger of receipts, disbursements, and balances for Inmate Trust.

The annual upload requirement includes Inmate Trust fund subsidiary detail.

The County Sheriff did not comply with the State Examiner Directive and failed to upload any of the monthly and annual files on the Indiana Gateway for Government Units financial reporting system for 2022.

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)

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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 SHERIFF
JENNINGS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 17, 2023, with Sarah Abel, County Auditor; Matt Sporleder, President of the Board of County Commissioners; Tina M. Ellis, President of the County Council; Amy Jump, Chief Deputy Auditor; William K. Freeman, County Sheriff; Kim Lainhart, Sheriff Matron; Diana Gee, Assistant Matron; and Jeffrey Jones, Chief Deputy Sheriff.

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BOARD OF COUNTY COMMISSIONERS
JENNINGS COUNTY

BOARD OF COUNTY COMMISSIONERS
JENNINGS COUNTY
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

Documentation was not provided to show that three of the seven County employees tested, whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the County, had received training over internal control standards that was 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 a 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
JENNINGS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 17, 2023, with Sarah Abel, County Auditor; Matt Sporleder, President of the Board of County Commissioners; Tina M. Ellis, President of the County Council; and Amy Jump, Chief Deputy Auditor.