

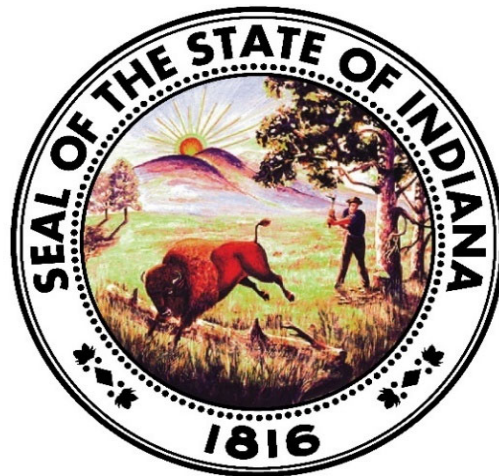
**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

SUPPLEMENTAL COMPLIANCE REPORT

OF

SHELBY COUNTY, INDIANA

January 1, 2022 to December 31, 2022



**FILED**  
07/19/2023



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
County Auditor:	
Audit Results and Comments:	
Annual Financial Report.....	6-7
Motor Vehicle Highway (MVH) - Restricted Fund .....	7
Certification on Internal Control Standards .....	7-8
Capital Assets .....	8
Exit Conference .....	9
County Treasurer:	
Audit Result and Comment:	
Monthly and Annual Uploads .....	12
Exit Conference .....	13
Clerk of the Circuit Court:	
Audit Results and Comments:	
Additional Compensation .....	16-17
Internal Controls .....	17-18
Official Bond Coverage .....	18
Official Response.....	19
Exit Conference .....	20
Board of County Commissioners:	
Audit Results and Comments:	
Capital Assets Policy.....	22
Training on Internal Control Standards .....	22
Exit Conference .....	23
Summary of Charges .....	24
Affidavit .....	25

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Amy L. Glackman	01-01-22 to 12-31-23
County Treasurer	Kathy A. Plunkett Janet E. Stucker	01-01-22 to 12-31-22 01-01-23 to 12-31-23
Clerk of the Circuit Court	Jill Taylor	01-01-22 to 12-31-23
County Sheriff	Louie Koch	01-01-22 to 12-31-23
County Recorder	Tawnya J. Williams Jessica Pile	01-01-22 to 12-31-22 01-01-23 to 12-31-23
President of the Board of County Commissioners	Kevin Nigh Don Parker	01-01-22 to 12-31-22 01-01-23 to 12-31-23
President of the County Council	Tony Titus	01-01-22 to 12-31-23



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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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, 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 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

May 22, 2023

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COUNTY AUDITOR  
SHELBY COUNTY

COUNTY AUDITOR  
SHELBY COUNTY  
AUDIT RESULTS AND COMMENTS

**ANNUAL FINANCIAL REPORT**

A similar comment appeared in prior Report B60461.

*Condition and Context*

The County had established internal controls over the financial and other information entered into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units financial reporting system; however, the internal controls were not effective. As a result, the following errors were noted:

1. The capital asset information reported in the AFR was not materially accurate. Capital asset documentation was provided by both the County Auditor and the Board of County Commissioner's office, but did not agree to the capital asset information reported in the AFR.
2. The debt information reported in the AFR was not accurate. The ending principal balance for the Geo Bond - Annex II and the Indiana Redevelopment District Bond 2021 bond issues were understated by \$303,465 and \$280,000, respectively.

Audit adjustments were proposed, accepted by the County, and made to the Schedule of Leases and Debt presented as Other Information.

3. The grant information reported in the AFR contained the following errors:
  - a. The Highway Planning and Construction Cluster expenditures were overstated by \$2,369,507.
  - b. Additional grants had individually immaterial errors that resulted in misstatements of grant expenditures of \$564,060, in total.

Audit adjustments were proposed, accepted by the County, and made to the Schedule of Expenditures of Federal Awards.

*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. . . ."

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 Reports B58855 and B60461.

*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 2022.

*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)

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)

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

A similar comment appeared in prior Reports B58855 and B60461, entitled *TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS*.

*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(c) had received training on internal control standards.

COUNTY AUDITOR  
SHELBY COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*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](#)."

**CAPITAL ASSETS**

*Condition and Context*

The County did not have a complete or accurate detailed listing of capital assets as of December 31, 2022. Buildings included on the detailed listing did not reflect the asset's acquisition value.

*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 County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR  
SHELBY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on May 22, 2023, with Amy L. Glackman, County Auditor; Tony Titus, President of the County Council; Don Parker, President of the Board of County Commissioners; and Jason Abel, Vice President of the Board of County Commissioners.

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COUNTY TREASURER  
SHELBY COUNTY

COUNTY TREASURER  
SHELBY COUNTY  
AUDIT RESULT AND COMMENT

**MONTHLY AND ANNUAL UPLOADS**

A similar comment appeared in prior Report B60461, entitled *MONTHLY AND ANNUAL ENGAGEMENT UPLOADS*.

*Condition and Context*

The County Treasurer did not upload any required monthly or annual engagement uploads to the Indiana Gateway for Government Units financial reporting system during 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)

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 15<sup>th</sup> 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 1<sup>st</sup> . . . 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. . . .

The following files and governmental unit information are required to be uploaded monthly . . .

For County Treasurers:

- Cash Balance Reports
- Bank Reconcilements, Bank Statements, and Outstanding Check List
- Documentation of Reconciliation of Form 61 between Auditor and Treasurer . . .

The following files and governmental unit information are required to be uploaded annually . . .

- Year-end Investment Statements (for Counties - County Treasurer) . . .

(Amended State Examiner Directive 2018-1)

COUNTY TREASURER  
SHELBY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on May 22, 2023, with Janet E. Stucker, County Treasurer; Kathy A. Plunkett, Deputy County Treasurer; Amy L. Glackman, County Auditor; Tony Titus, President of the County Council; Don Parker, President of the Board of County Commissioners; and Jason Abel, Vice President of the Board of County Commissioners.

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CLERK OF THE CIRCUIT COURT  
SHELBY COUNTY

CLERK OF THE CIRCUIT COURT  
SHELBY COUNTY  
AUDIT RESULTS AND COMMENTS

**ADDITIONAL COMPENSATION**

*Condition and Context*

A salary ordinance fixing the compensation of County employees for the year 2022 was approved by the County Council on October 19, 2021, and amended on April 19, 2022. We noted the following additional compensation paid to County employees in 2022 that was not included on the salary ordinance:

1. Compensation paid to two County Election Board members, and Jill Taylor, Clerk of the Circuit Court (Clerk), acting as Secretary of the County Election Board, was not included on the salary ordinance approved by the County Council. An appropriation in the amount of \$9,000 for Election Board Members Salaries and Wages was approved in the budget; however, this compensation was not included on the salary ordinance in 2022 and had not been included on the salary ordinance in previous years.
2. The Clerk and the Election Administrator each received additional compensation in the amount of \$6,000 for voting machine programming, totaling \$12,000. An appropriation in the amount of \$8,000 for machine programming was approved in the budget, the remaining \$4,000 was paid from an appropriation for Contractual Services. The Clerk stated that the additional compensation paid from the Contractual Services appropriation was the result of the machines having to be programmed twice during one election. No documentation was provided for audit to support the additional work performed or to document that the County Council had approved the additional compensation for machine programming. The compensation paid for machine programming, without documentation to support County Council approval is considered a questioned cost. Retroactive approval will not remedy the issue of noncompliance, but it could substantiate whether the County Council intended for the official and employee to be paid the increased compensation.

The Clerk also received additional compensation in 2022 totaling \$5,000, paid from the following appropriations:

<u>Appropriation</u>	<u>Amount</u>
Election Board Members	\$ 3,500
Precinct Training	500
Contractual Services	<u>1,000</u>
Total	<u>\$ 5,000</u>

The Clerk stated she received additional compensation for per diem for serving as the Voter Registration Officer, authorized by Indiana Code 3-7-12-22. Per diem paid for this purpose is required to be paid in the same manner as election expenses are paid; however, no appropriation was approved in the budget for this purpose as required for other election expenses. No rate was set by the Board of County Commissioners or the County Council to establish an amount for per diem, or the criteria under which the Clerk would be entitled to that rate. No documentation was provided for audit to support the amount paid for per diem.

We are requesting that Jill Taylor, Clerk of the Circuit Court, reimburse the County \$5,000 for payment of additional compensation that did not comply with Indiana Code 3-7-12-22 and was made without documentation to support the amounts paid. (See Summary of Charges, page 24)

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

*Criteria*

Before July 2 of each year the clerk shall file a statement with the county auditor (Form 144) that shows in detail the positions and the rate of compensation proposed for the clerk and for each full-time or part-time position. The county auditor is required to submit the statements (Forms 144) to the board of county commissioners at their July meeting for their review and recommendations to the county council. [IC 36-2-5-4] The county council shall fix the number of deputies and other employees and the compensation of the clerk, deputies and other employees. [IC 36-2-5-3]

The annual salaries shall be in full for all services and in lieu of all fees, per diems, penalties, interest, costs, forfeitures, commissions, percentages, allowances, mileage and other remuneration whatsoever for official services or involving official authority [IC 36-2-7-2], except that the clerk as the secretary of the county election board may receive compensation as is provided for by the county council [IC 3-6-5-9].

(Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 3)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 1)

Indiana Code 3-7-12-22 states: "In a county where the circuit court clerk serves as voter registration officer, the clerk is entitled to per diem compensation. The per diem shall be paid out of the general fund of the county in the same manner as election expenses are paid."

## **INTERNAL CONTROLS**

*Condition and Context*

The Clerk of the Circuit Court's (Clerk) internal controls over cash and investments were not properly documented. The Clerk performed monthly bank reconciliations, without a documented oversight, review, or approval process to ensure that cash and investments were accurate.

*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.

CLERK OF THE CIRCUIT COURT  
SHELBY 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. . . ."

**OFFICIAL BOND COVERAGE**

Jill Taylor, Clerk of the Circuit Court, had official bond coverage in the amount of \$210,000 (Indiana Public Official Bond No. B67743523) through The Cincinnati Insurance Company for the term January 1, 2022 to January 1, 2023.

*Jill Taylor*  
Clerk of the Shelby Circuit Court  
P. O. Box 198  
Shelbyville IN 46176-0198

Room 111A  
407 South Harrison Street  
Shelbyville Indiana 46176

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Fax: 317-392-6339  
[jtaylor@co.shelby.in.us](mailto:jtaylor@co.shelby.in.us)

“OFFICIAL RESPONSE”

This is regarding the 2022 Shelby County Audit. Any amounts that were paid out of the Election Budget were authorized by Indiana Code allowing for payment of services. The Shelby County Council approved the Election Budget for 2022. Any of the services performed for elections should not be reflected in the salary ordinance. The Clerk's salary and budget are separate from the Election Budget which requires additional duties and compensation. Form 144 wasn't submitted to the County Auditor for the past four budget cycles, I was unaware that it was needed nor asked to provide the completed form. The budget was reviewed by the Shelby County Commissioners and approved by the Shelby County Council. The Clerk's Office must follow Indiana Code to comply with all election matters. Any oversight by SBOA has been taken under advisement as new procedures are being implemented for the current and upcoming budget cycles.

CLERK OF THE CIRCUIT COURT  
SHELBY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on May 22, 2023, with Jill Taylor, Clerk of the Circuit Court; Don Parker, President of the Board of County Commissioners; Tony Titus, President of the County Council; Jason Abel, Vice President of the Board of County Commissioners; and Amy L. Glackman, County Auditor.

BOARD OF COUNTY COMMISSIONERS  
SHELBY COUNTY

BOARD OF COUNTY COMMISSIONERS  
SHELBY COUNTY  
AUDIT RESULTS AND COMMENTS

***CAPITAL ASSETS POLICY***

The same comment also appeared in prior Reports B58855 and B60461.

*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)

***TRAINING ON INTERNAL CONTROL STANDARDS***

A similar comment appeared in prior Reports B58855 and B60461, entitled *TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS*.

*Condition and Context*

Employees hired in 2022 had not received required training on internal control standards.

*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  
SHELBY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on May 22, 2023, with Amy L. Glackman, County Auditor; Tony Titus, President of the County Council; Don Parker, President of the Board of County Commissioners; and Jason Abel, Vice President of the Board of County Commissioners.

SHELBY COUNTY  
SUMMARY OF CHARGES  
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Jill Taylor, Clerk of the Circuit Court: Additional Compensation, pages 16 and 17	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 5,000</u>

This report was forwarded to the Office of the Indiana Attorney General.

