

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BROWN COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED
03/29/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Julia Reeves	01-01-19 to 12-31-22
County Treasurer	Mary E. Smith Andrea Bond	01-01-19 to 12-31-20 01-01-21 to 12-31-22
Clerk of the Circuit Court	Kathy Smith	01-01-19 to 12-31-22
County Sheriff	Scott D. Southerland	01-01-19 to 12-31-22
County Recorder	Judy Swift-Powdrill Mary E. Smith	01-01-19 to 12-31-20 01-01-21 to 12-31-22
President of the Board of County Commissioners	David Anderson Jerry Pittman	01-01-19 to 12-31-19 01-01-20 to 12-31-22
President of the County Council	David Redding Gary Huett	01-01-19 to 12-31-21 01-01-22 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF BROWN COUNTY, INDIANA

This report is supplemental to our audit report of Brown County (County), for the period from January 1, 2019 to December 31, 2019. 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

March 14, 2022

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COUNTY AUDITOR
BROWN COUNTY

COUNTY AUDITOR
BROWN COUNTY
AUDIT RESULTS AND COMMENTS

FINANCIAL CLOSE AND REPORTING - ANNUAL FINANCIAL REPORT

Condition and Context

The County did not have an effective system of internal control over financial close and reporting to prevent, or detect and correct, errors on the financial statement. The Bookkeeper entered, and the County Auditor reviewed and certified, the financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report (AFR) and the financial statement. There was no documented evidence of the oversight, review, or approval process to ensure that the information was accurate prior to submission.

As a result of not having effective internal controls, there were material errors in the AFR and financial statement that went undetected. The Payroll Clearing fund receipts and disbursements were understated by \$2,644,282 and \$2,657,199, respectively. The Settlement fund receipts and disbursements were each overstated by \$20,437,569. Additionally, the County Sheriff's Cash Book was included as part of the County's financial statement in error, which resulted in an overstatement of both receipts and disbursements by \$150,734.

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. . . ."

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
BROWN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSETS

Condition and Context

The County did not maintain a complete detailed listing of capital assets. Asset records presented contained some of the County's assets, but it did not include any additions or deletions for the current audit period. Additionally, the County had not completed a physical inventory within the last two years.

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)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

A similar comment also appeared in prior Report B53657, entitled *CERTIFICATION ON INTERNAL CONTROLS*.

Condition and Context

The County Auditor incorrectly certified, in the Indiana Gateway for Government Units financial reporting system, that all required County personnel had received training regarding internal control standards. However, newly hired employees of the Clerk of the Circuit Court's office had not been provided the training. Since the County did not provide training on internal control standards to these employees, the certification that they had trained on internal control standards was incorrect.

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
BROWN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 14, 2022, with Julia Reeves, County Auditor; Andrea Bond, County Treasurer; Diana Biddle, County Commissioner; Jerry Pittman, President of the Board of County Commissioners; and Gary Huett, President of the County Council.

COUNTY COUNCIL
BROWN COUNTY

COUNTY COUNCIL
BROWN COUNTY
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

Not all required County employees received training on internal control standards adopted by the County. Newly hired employees of the Clerk of the Circuit Court's office had not been provided the training.

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."

COUNTY COUNCIL
BROWN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 14, 2022, with Julia Reeves, County Auditor; Andrea Bond, County Treasurer; Diana Biddle, County Commissioner; Jerry Pittman, President of the Board of County Commissioners; and Gary Huett, President of the County Council.