

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
BROWN COUNTY, INDIANA
January 1, 2020 to December 31, 2020



FILED
03/29/2022

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
County Auditor:	
Audit Results and Comments:	
Financial Transactions and Reporting	6-7
Capital Assets	7
Disbursements from the Motor Vehicle Highway (MVH) - Restricted Fund.....	7
Exit Conference	8
County Highway Department:	
Audit Result and Comment:	
Disbursements from the Motor Vehicle Highway (MVH) - Restricted Fund.....	10
Exit Conference	11

SCHEDULE OF OFFICIALS

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



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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, 2020 to December 31, 2020. 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

(This page intentionally left blank.)

COUNTY AUDITOR
BROWN COUNTY

COUNTY AUDITOR
BROWN COUNTY
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

There were deficiencies in the internal control system of the County Auditor related to financial close and reporting and disbursements.

Financial Close and Reporting

The County Auditor's office had established 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 Bookkeeper entered, and the County Auditor reviewed and certified, the financial information entered in Gateway. However, there was no evidence presented for audit of an oversight, review, or approval process to ensure the financial information was accurate prior to submission.

Disbursements

The County did not have a proper system of internal control over disbursements related to its self-insurance for health coverage. Payments made to the County's third-party administrator for the processing of health insurance claims and payment of related administrative fees did not have a documented review and approval process to ensure the health insurance claims processed were for actual employees of the County.

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
BROWN 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. . . ."

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)

DISBURSEMENTS FROM THE MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

The County properly established the Motor Vehicle Highway (MVH) - Restricted fund and receipted at least 50 percent of the distributions from the State Motor Vehicle Highway Account to this fund; however, some of the disbursements paid out of the MVH Restricted fund did not comply with the restrictions that monies spent be limited to the construction, reconstruction, or preservation of the County's highways. Of the ten MVH Restricted fund disbursements selected for compliance testing, three were for fuel not allocated to any specific road or bridge project.

Criteria

Indiana Code 8-14-1-4(b) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

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 HIGHWAY DEPARTMENT
BROWN COUNTY

COUNTY HIGHWAY DEPARTMENT
BROWN COUNTY
AUDIT RESULT AND COMMENT

DISBURSEMENTS FROM THE MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

The County properly established the Motor Vehicle Highway (MVH) - Restricted fund and receipted at least 50 percent of the distributions from the State Motor Vehicle Highway Account to this fund; however, some of the disbursements paid out of the MVH Restricted fund did not comply with the restrictions that monies spent be limited to the construction, reconstruction, or preservation of the County's highways. Of the ten MVH Restricted fund disbursements selected for compliance testing, three were for fuel not allocated to any specific road or bridge project.

Criteria

Indiana Code 8-14-1-4(b) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

COUNTY HIGHWAY DEPARTMENT
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.