

STATE BOARD OF ACCOUNTS
302 West Washington Street
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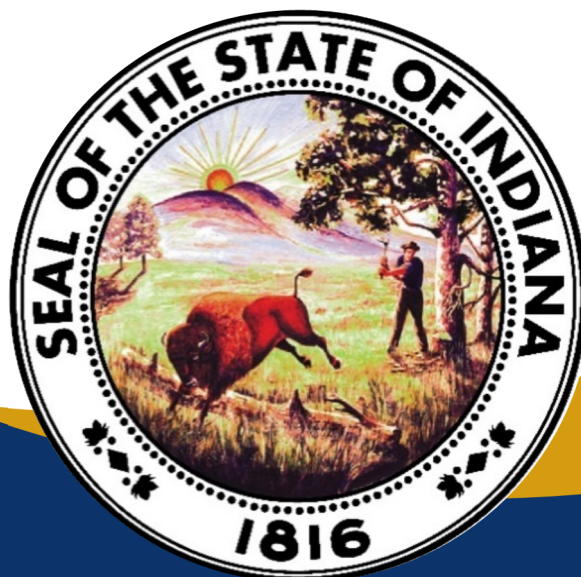
Paul D. Joyce, CPA
State Examiner

SUPPLEMENTAL COMPLIANCE REPORT

OF

BROWN COUNTY, INDIANA

January 1, 2024 to December 31, 2024



FILED

10/07/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Julia Reeves	01-01-24 to 12-31-25
County Treasurer	Andrea A. Bond	01-01-24 to 12-31-25
Clerk of the Circuit Court	Pearletta Banks	01-01-24 to 12-31-25
County Sheriff	Brad Stogsdill	01-01-24 to 12-31-25
County Recorder	Mary E. Smith	01-01-24 to 12-31-25
President of the Board of County Commissioners	Jerry Lee Pittman Tim Clark	01-01-24 to 12-31-24 01-01-25 to 12-31-25
President of the County Council	Gary Huett	01-01-24 to 12-31-25



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INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF BROWN COUNTY, INDIANA

This report is supplemental to the audit report of Brown County (County), for the period from January 1, 2024 to December 31, 2024. 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

September 16, 2025



COUNTY AUDITOR
BROWN COUNTY

COUNTY AUDITOR
BROWN COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS - COMPLIANCE

Condition and Context

Internal control deficiencies resulted in noncompliance with laws and regulations over the following areas:

- Annual Financial Report
- Reconciliation of the Monthly Financial Statement (Form 61)
- Timely Recording
- Capital Assets
- Overdrawn Cash Balances
- Training on Internal Control Standards

These internal control deficiencies are further detailed in the comments below.

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. . . ."

ANNUAL FINANCIAL REPORT

A similar comment also appeared in prior Report B61793, entitled *INTERNAL CONTROLS OVER FINANCIAL CLOSE AND REPORTING AND DISBURSEMENTS*, and in prior Report 84304S, entitled *ANNUAL FINANCIAL REPORT*.

COUNTY AUDITOR
BROWN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Condition and Context

The County did not have a proper system of internal controls in place related to financial transactions and reporting. The failure to establish adequate internal controls enabled misstatements or irregularities to remain undetected.

Financial and supplemental information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. This is the source of the financial statements and other information in the County's Financial Statement audit report. The County did not properly review the information prepared and submitted in the Gateway financial reporting system. Although one employee prepared and entered the information into the Gateway financial reporting system and a financial consultant reviewed and approved the information entered, the internal controls were not effective and did not detect and allow for correction of errors prior to submission.

Financial Statement

- The Health Insurance Trust Fund disbursements were overstated, and the ending cash balance was understated by \$565,289.
- Supplemental financial activity for the County offices and departments is reported to the County Auditor by each department on the Supplemental CAR-1 for inclusion in the AFR. These were omitted from the AFR. As such, the beginning cash and investment balance, receipts, disbursements, and ending cash balances were understated by \$912,667, \$2,752,978, \$2,443,382, and \$1,222,263, respectively.

Audit adjustments were proposed, accepted by the County, and made to the financial statement and to the Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statement Audit Report of the County.

Capital Assets

Due to the issues noted in the comment below, entitled *Capital Assets*, the amount reported by the County as capital assets in the 2024 AFR could not be verified. The County reported total capital assets of \$162,820,068 on December 31, 2024.

The financial reporting framework utilized by the County includes the option to present a Schedule of Capital Assets as Other Information in the Financial Statement Audit Report of the County. The County has elected not to present this schedule.

Leases and Debt

Although the County reported leases and debt on the AFR, the submission did not include eight leases with annual lease payments totaling \$191,271.

Adjustments were proposed, accepted by the County, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report of the County.

COUNTY AUDITOR
BROWN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Accounts Payable and Receivable

The County reported \$0 for accounts receivable and \$643,959 for accounts payable. The County was unable to provide supporting documentation for the amounts reported; and thus, the schedule could not be verified.

The financial reporting framework utilized by the County includes the option to present a Schedule of Payables and Receivables as Other Information in the Financial Statement Audit Report of the County. The County has elected not to present this schedule.

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 as set forth in the uniform compliance guidelines. 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](#)."

RECONCILEMENT OF THE MONTHLY FINANCIAL STATEMENT (FORM 61)

Condition and Context

The County did not have a system of internal controls over the County Auditor's reconciliation of the Monthly Financial Statement (Form 61) to ensure it had been performed monthly and that the County Treasurer's and the County Auditor's independently prepared statements were reconciled. Out of the 12 months tested, 9 were not completed until 4 to 6 months after month end.

Criteria

At the close of each calendar month a Monthly Financial Statement, County Form No. 61, shall be prepared, showing the financial transactions for the month and year to date, for each fund and in total.

The county treasurer is also required to independently prepare a Monthly Financial Statement on the same form and the two statements must be reconciled. If any differences exist between the records of the auditor and the treasurer, they must be identified and immediate steps taken to bring the records of the two offices into agreement.

The statements are prescribed to be placed in a post-binder and shall be carefully preserved as a permanent record.

(Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

TIMELY RECORDING

A similar comment appeared in a Management Letter addressed to the Officials of the County for the audit period ending December 31, 2023.

COUNTY AUDITOR
BROWN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Condition and Context

Internal controls were not in place over receipts to ensure timely recording of transactions.

Monthly, the County receives funds from the State of Indiana (State) via electronic funds transfer (EFT) for various taxes, grants, and other funding sources. A test to ensure the State funds sent to the County were accurately and timely receipted and posted noted instances of noncompliance and ineffective internal controls.

In the test of 133 distributions from the Auditor of State, there were 47 instances totaling \$6,151,168 that were not receipted or recorded in a timely manner. The County posted a receipt to the records up to 91 days after receiving the EFTs from the State.

Criteria

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

CAPITAL ASSETS

A similar comment also appeared in prior Reports B58927, B61793, and 84304S, entitled *CAPITAL ASSETS*.

Condition and Context

The County has adopted a capital asset policy that includes a threshold at which an item is considered a capital asset. However, the County's internal controls were ineffective and resulted in the capital asset listing not being properly updated.

Additionally, the capital asset policy adopted by the County states, "The Finance Department (Finance) will conduct a physical observation of capital assets each fiscal year." The County provided a capital asset ledger; however, it was last updated on July 1, 2023. We selected a sample of ten assets to physically observe, and, of that sample, three of the assets were either sold, deleted, or could not be located.

Lastly, the capital asset policy states in part: "Each County department will be reviewed every 3 fiscal years, with one third of the County departments being reviewed each fiscal year on a rolling schedule." This does not adhere to the *Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana*.

COUNTY AUDITOR
BROWN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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)

OVERDRAWN CASH BALANCES

A similar comment appeared in a Management Letter addressed to the Officials of the County for the audit period ending December 31, 2023.

Condition and Context

The County did not have adequate internal controls in place to ensure compliance concerning overdrawn cash balances. The financial statement included the following funds with overdrawn cash balances at December 31, 2024. These are not grant funds whose overdrawn cash balances resulted from disbursement of funds that were reimbursed in the subsequent fiscal period in accordance with the grants' standard operating procedures.

Fund	Amount Overdrawn
Surplus Tax	\$ (312)
Payroll	(13,190)
2021 Capital Loan Repayment	(104,060)
School Resource Officer	(41,337)

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The County had not established effective internal controls to ensure training was provided over the adopted internal control standards as required by Indiana Code 5-11-1-27(g). Of the 23 employees tested, there were 4 that did not have a signed internal control training certificate on file.

COUNTY AUDITOR
BROWN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

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

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

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

COUNTY AUDITOR
BROWN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 16, 2025, with Julia Reeves, County Auditor; Tim Clark, President of the Board of County Commissioners; and Gary Huett, President of the County Council.

COUNTY TREASURER
BROWN COUNTY

COUNTY TREASURER
BROWN COUNTY
AUDIT RESULTS AND COMMENTS

RECONCILEMENT OF THE MONTHLY FINANCIAL STATEMENT (FORM 61)

Condition and Context

The County did not have a system of internal controls over the County Auditor's reconciliation of the Monthly Financial Statement (Form 61) to ensure it had been performed monthly and that the County Treasurer's and the County Auditor's independently prepared statements were reconciled. Out of the 12 months tested, 9 were not completed until 4 to 6 months after month end.

Criteria

The Monthly Financial Statement, Form 61, is a permanent record prepared from the treasurer's funds ledger at the close of each month. It is prepared after all postings to the ledger have been completed for the month and reflects the total receipts and disbursements and the balance for each fund for the month and for the year to date. The statement must agree with a similar statement kept by the county auditor, giving consideration to any adjustments required to reconcile the ledgers of the two offices. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 5)

TIMELY RECORDING

Condition and Context

Internal controls were not in place over receipts to ensure timely recording of transactions.

Monthly, the County receives funds from the State of Indiana (State) via electronic funds transfer (EFT) for various taxes, grants, and other funding sources. A test to ensure the State funds sent to the County were accurately and timely receipted and posted noted instances of noncompliance and ineffective internal controls.

Of 27 State funds tested, there were 7 instances totaling \$188,726 that were not receipted or recorded in a timely manner. The County posted a receipt to the records up to 25 days after receiving the EFTs from the State.

Criteria

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

COUNTY TREASURER
BROWN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 16, 2025, with Andrea A. Bond, County Treasurer; Julia Reeves, County Auditor; Tim Clark, President of the Board of County Commissioners; and Gary Huett, President of the County Council.