

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

HARRISON COUNTY, INDIANA

January 1, 2022 to December 31, 2022



**FILED**

08/23/2023



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Chad Shireman	01-01-22 to 12-31-23
County Treasurer	Debbie Dones Christa Day	01-01-22 to 12-31-22 01-01-23 to 12-31-23
Clerk of the Circuit Court	Sherry Brown	01-01-22 to 12-31-23
County Sheriff	Nicholas Smith	01-01-22 to 12-31-23
County Recorder	Debbie Dennison	01-01-22 to 12-31-23
President of the Board of County Commissioners	Charlie Crawford Nelson Stepro	01-01-22 to 12-31-22 01-01-23 to 12-31-23
President of the County Council	Donald Hussung	01-01-22 to 12-31-23
Superintendent of Parks	Larry Shickles	01-01-22 to 12-31-23



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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TO: THE OFFICIALS OF HARRISON COUNTY, INDIANA

This report is supplemental to the audit report of Harrison 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/](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

August 8, 2023

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COUNTY AUDITOR  
HARRISON COUNTY

COUNTY AUDITOR  
HARRISON COUNTY  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

The same comment appeared in prior Report B59706.

*Condition and Context*

The County had not established a proper system of internal controls to prevent, or detect and correct, errors during the financial close and reporting process.

Financial information was entered by the County Auditor into the Indiana Gateway for Government Units financial reporting system, which was the source for the financial statement. There was no independent review, oversight, or approval process to prevent, or detect and correct, errors prior to the submission.

*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**

*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:

*Capital Assets*

Amounts reported for capital assets were incorrect.

1. The total reported for the Infrastructure did not include right-of-ways, roads, and bridges.
2. The amount reported for machinery, equipment, and vehicles included assets that had been disposed of during the audit period.

COUNTY AUDITOR  
HARRISON COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Audit adjustments were proposed, accepted by the County, and made to the Schedule of Capital Assets presented as Other information in the Financial Statement Audit Report.

*Grant Information*

The grant schedule, which is used to compile the County's Schedule of Expenditures of Federal Awards (SEFA), included the following errors:

1. The COVID-19 - Coronavirus State and Local Fiscal Recovery Funds was omitted from the SEFA, understating expenditures by \$642,827.
2. The COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) was omitted from the SEFA, understating expenditures by \$170,767.
3. The COVID-19 - Coronavirus Relief Fund expenditures were overstated by \$139,664.
4. Several grants had individually immaterial errors that resulted in misstatements of expenditures of \$287,727, in total.
5. Other errors included incorrect pass-through entity names, program names, and identifying numbers.

Audit 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:

"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  
HARRISON COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**MONTHLY AND ANNUAL ENGAGEMENT UPLOADS**

A similar comment also appeared in prior Reports B58285, entitled *MONTHLY GATEWAY UPLOADS*; and B59706, entitled *MONTHLY AND ANNUAL ENGAGEMENT UPLOADS*.

*Condition and Context*

The files and governmental unit information that are required to be uploaded monthly to the Indiana Gateway for Government Units (Gateway) financial reporting system, by the County Auditor, include the bank reconcilements, approved County Board minutes, the funds ledger, summarizing total receipts, disbursements, and balances by fund, and documentation of reconciliation of Form 61 between the County Auditor and County Treasurer.

Annual upload requirements to Gateway by the County Auditor include detail receipts for the year, detail disbursements for the year, current year salary ordinance, annual vendor history reports, annual payroll history report, annual fund ledger summarizing year-to-date total receipts, year-to-date disbursements, and beginning and ending balances by fund.

The County Auditor failed to upload monthly County Board minutes and the documentation of the reconciliation of Form 61 between the County Auditor and County Treasurer. Additionally, the fund ledger was only uploaded for four of the twelve months. None of the required annual uploads were performed.

*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. . . .

The following files and governmental unit information are required to be uploaded monthly by all units except as noted:

- Bank Reconcilements, Bank Statements, and Outstanding Check Lists
- Approved Board Minutes, please see the user guide for more information and examples
- Funds Ledger, summarizing total receipts, disbursements, and beginning and ending balances by fund

For County Auditors:

- Approved Board Minutes, please see the user guide for more information and examples
- Funds Ledger, summarizing total receipts, disbursements, and beginning and ending balances by fund
- Documentation of Reconciliation of Form 61 between Auditor and Treasurer . . .

COUNTY AUDITOR  
HARRISON COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

The following files and governmental unit information are required to be uploaded annually (for Counties, these apply to County Auditors unless otherwise noted): . . .

- Detail of Receipts for the year
- Detail of Disbursements for the year
- Current year Salary Ordinance (or Schedule) and Amendments . . .
- Annual Vendor History Report
- Annual Payroll History Report, without social security numbers
- Annual Funds Ledger, summarizing year-to-date total receipts, year-to-date disbursements, and beginning and ending balances by fund . . .
- Optional: Excel Data Capture/Data Dump (in lieu of Detail of Receipts and Disbursements)
- . . .

(Amended State Examiner Directive 2018-1)

**BOARD MINUTES**

The same comment appeared in prior Reports B58285 and B59706.

*Condition and Context*

Formal minutes of the meetings of the Board of County Commissioners and the County Council were not always transcribed during the audit period or in the months thereafter. Therefore, the minutes were not approved by the respective County Boards. The County Auditor prepared abbreviated, handwritten notations that summarized the County Boards' activities and provided packets of information presented at the meetings. However, the County Boards' precise actions and approvals could not be ascertained in many instances due to the lack of detail in the handwritten notations.

*Criteria*

Indiana Code 5-14-1.5-4 states in part:

". . . (b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under section 3.5 of 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication.

(c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

COUNTY AUDITOR  
HARRISON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 8, 2023, with Chad Shireman, County Auditor; Nelson Stepro, President of the Board of County Commissioners; Kyle Nix, County Council member; Jake Blackman, County Council member; Richard Gerdon, County Council member; and Donald Hussung, President of the County Council.

COUNTY PARKS AND RECREATION DEPARTMENT  
HARRISON COUNTY

COUNTY PARKS AND RECREATION DEPARTMENT  
HARRISON COUNTY  
AUDIT RESULTS AND COMMENTS

**BANK ACCOUNT RECONCILIATIONS**

The same comment appeared in a Management Letter address to the Park Superintendent and the County Park Board of Harrison County for the audit period ending December 31, 2021.

*Condition and Context*

The County Parks and Recreation Department does not perform proper bank reconciliations. Although bank statements are compared to bank deposits, a Ledger of Receipts, Disbursements, and Balances (Form 358) is not maintained and used to reconcile the collections in order to determine the amount to be remitted monthly to the County Auditor.

*Criteria*

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balances must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1).

**DELINQUENT REPORT OF COLLECTIONS**

The same comment also appeared in prior Reports B58285 and B59706.

*Condition and Context*

The County Parks and Recreation Department (Department) failed to timely file with the County Auditor its monthly reports of collection along with the fees the Department collected. Monthly reports of collections with the fees for December 2021 through December 2022 were remitted on March 3, 2023. Additionally, the Department was unable to provide supporting documentation for the report of collections that were remitted.

As of May 2023, report of collections for January, February, and March of 2023 have been submitted timely.

*Criteria*

Indiana Code 36-10-3-22(d) states in part: "Money procured from fees . . . shall be deposited at least once each month with the fiscal officer of the unit."

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY PARKS AND RECREATION DEPARTMENT  
HARRISON COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

**CREDIT CARDS**

A similar comment also appeared in prior Reports B58285 and B59706, entitled *CREDIT CARDS*.

*Condition and Context*

Credit cards were issued to the Park Superintendent, and other park employees. Each cardholder was responsible for the card issued to them, ensuring that supporting documentation was received for each charge, and presenting the monthly credit card statement to the Park Board for payment approval. A review of credit card payments noted payments are being submitted weekly for designated items from the credit card statement, but rarely submitting a payment for all items on the statement at one time. This method of making payments creates difficulties in determining what items have been paid and what items remain unpaid. As a result, duplicate payments to the credit card companies were noted for some items.

*Criteria*

The SBOA will not take exception to the use of credit cards by a unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance/resolution, which has been approved in a meeting and documented in the minutes.
2. Issuance and use should be handled by an official or employee designated by the governing body.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Credit cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.

COUNTY PARKS AND RECREATION DEPARTMENT  
HARRISON COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

7. Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee may be the personal obligation of the responsible officer or employee.
8. If authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY PARKS AND RECREATION DEPARTMENT  
HARRISON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 8, 2023, with Larry Shickles, Superintendent of Parks; Scott Fluhr, Park Board member; Greg Reas, Park Board member; Chad Shireman, County Auditor; Nelson Stepro, President of the Board of County Commissioners; Kyle Nix, County Council member; Jake Blackman, County Council member; Richard Gerdon, County Council member; and Donald Hussung, President of the County Council.

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COUNTY SHERIFF  
HARRISON COUNTY

COUNTY SHERIFF  
HARRISON COUNTY  
AUDIT RESULTS AND COMMENTS

**SHERIFF COMMISSARY FUNDS**

*Condition and Context*

Proper procedures were not in place to ensure disbursements from the Commissary fund complied with Indiana Code 36-8-10-21 and County Resolution 2021-04 adopted by the County Council in reference to Indiana Code 36-8-10-21.

Documentation was not maintained to support how disbursements made from the Commissary fund complied with the Indiana Code 36-8-10-21 and County Resolution 2021-04 or that the review process was used to determine that the disbursements were permissible. As a result, 11 of 33 disbursements tested could not be verified as being in compliance with the Indiana Code and the County Resolution.

Disbursements were made by the County Sheriff's Department from the Commissary fund and subsequently submitted to the County Auditor requesting reimbursement from the County General fund. Instances were identified in which the disbursement were incurred and paid by the Commissary fund between 2 to 18 months prior to being requested for reimbursement.

Required semiannual reports were not filed with the County fiscal body showing activity of the Commissary fund.

*Criteria*

Indiana Code 36-8-10-21 states:

"(a) This section applies to any county that has a jail commissary that sells merchandise to inmates.

(b) A jail commissary fund is established, referred to in this section as 'the fund'. The fund is separate from the general fund, and money in the fund does not revert to the general fund.

(c) The sheriff, or the sheriff's designee, shall deposit all money from commissary sales into the fund, which the sheriff or the sheriff's designee shall keep in a depository designated under [IC 5-13-8](#).

(d) The sheriff, or the sheriff's designee, at the sheriff's or the sheriff's designee's discretion and without appropriation by the county fiscal body, may disburse money from the fund for:

- (1) merchandise for resale to inmates through the commissary;
- (2) expenses of operating the commissary, including, but not limited to, facilities and personnel;
- (3) special training in law enforcement for employees of the sheriff's department;
- (4) equipment installed in the county jail;
- (5) equipment, including vehicles and computers, computer software, communication devices, office machinery and furnishings, cameras and photographic equipment, animals, animal training, holding and feeding equipment and supplies, or attire used by an employee of the sheriff's department in the course of the employee's official duties;

COUNTY SHERIFF  
HARRISON COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (6) an activity provided to maintain order and discipline among the inmates of the county jail;
- (7) an activity or program of the sheriff's department intended to reduce or prevent occurrences of criminal activity, including the following:
  - (A) Substance abuse.
  - (B) Child abuse.
  - (C) Domestic violence.
  - (D) Drinking and driving.
  - (E) Juvenile delinquency;
- (8) expenses related to the establishment, operation, or maintenance of the sex and violent offender registry web site under [IC 36-2-13-5.5](#); or
- (9) any other purpose that benefits the sheriff's department that is mutually agreed upon by the county fiscal body and the county sheriff.

Money disbursed from the fund under this subsection must be supplemental or in addition to, rather than a replacement for, regular appropriations made to carry out the purposes listed in subdivisions (1) through (8).

(e) The sheriff shall maintain a record of the fund's receipts and disbursements. The state board of accounts shall prescribe the form for this record. The sheriff shall semiannually provide a copy of this record of receipts and disbursements to the county fiscal body. The semiannual reports are due on July 1 and December 31 of each year."

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 51-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

County Resolution 2021-04 states in part:

". . . the following additional uses of money in the jail commissary fund are now agreed to by the council as purposes that will benefit the sheriff's office:

- All attorney's fees and expenses in connection with legal services provided to the sheriff's office;
- All other contracted services that the county sheriff deems necessary for the benefit of the agency;
- Expenses associated with health and wellness, including but not limited to preventative health screenings, wellness/fitness equipment and employee physicals.
- Expenses associated with employee achievement, appreciation, and awards activities.

COUNTY SHERIFF  
HARRISON COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

- Expenses associated with community events and/or festivals to include but not limited to products, food, equipment and/or location rental and event insurance."

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Counties 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 Counties of Indiana, Chapter 1)

***BANK ACCOUNT RECONCILIATIONS - INMATE TRUST***

*Condition and Context*

Monthly bank reconcilements during 2022, for the Sheriff's Inmate Trust, were not being completed timely. Reconcilements for the months of March and April, were not completed until June, and reconcilements for the months of July and August, were not completed until December.

*Criteria*

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

COUNTY SHERIFF  
HARRISON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 8, 2023, with Nicholas Smith, County Sheriff; Bradly Rothrock, Chief; Rosemary Brister, Office Manager; Rachel Dunaway, Commissary; Chad Shireman, County Auditor; Nelson Stepro, President of the Board of County Commissioners; Kyle Nix, County Council member; Jake Blackman, County Council member; Richard Gerdon, County Council member; and Donald Hussung, President of the County Council.