

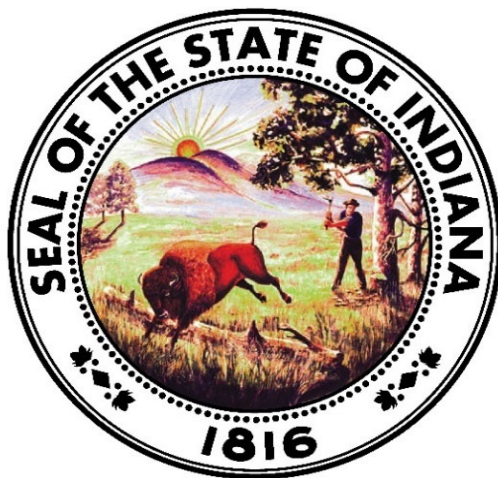
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT

OF

OHIO COUNTY, INDIANA

January 1, 2019 to December 31, 2022



FILED
12/21/2023

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
County Auditor:	
Audit Results and Comments:	
Internal Controls over Financial Close and Reporting	6-7
Annual Financial Report	7-9
Monthly and Annual Uploads	9
Motor Vehicle Highway (MVH) - Restricted Fund	10
Exit Conference	11
County Treasurer:	
Audit Result and Comment:	
Internal Controls over Financial Transactions and Reporting	14
Exit Conference	15
Clerk of the Circuit Court:	
Audit Results and Comments:	
Internal Controls over Financial Transactions and Reporting	18-19
Monthly and Annual Uploads	19
Exit Conference	20
County Highway Department:	
Audit Result and Comment:	
Motor Vehicle Highway (MVH) - Restricted Fund	22
Exit Conference	23
County Convention and Tourism Commission:	
Audit Result and Comment:	
Internal Controls over Financial Transactions and Reporting	26
Exit Conference	27

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Amy R. Hochstrasser Kelli S. Vest	01-01-19 to 11-30-23 12-01-23 to 12-31-23
County Treasurer	Yvonne Walton Melinda Smith	01-01-19 to 12-31-20 01-01-21 to 12-31-23
Clerk of the Circuit Court	Jamie Stegemiller	01-01-19 to 12-31-23
County Sheriff	Glen Potts Tom Baxter	01-01-19 to 12-31-22 01-01-23 to 12-31-23
County Recorder	Doris Young Vickie Monroe	01-01-19 to 12-31-22 01-01-23 to 12-31-23
President of the Board of County Commissioners	Connie J. Brown	01-01-19 to 12-31-23
President of the County Council	Tamara J. Elbright	01-01-19 to 12-31-23
Superintendent of the Highway Department	Michael Kirkpatrick	01-01-19 to 12-31-23
Executive Director of the Ohio County Convention, Tourism and Visitors Commission	Kendal Miller	01-01-19 to 12-31-23



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 OHIO COUNTY, INDIANA

This report is supplemental to the audit report of Ohio County (County), for the period from January 1, 2019 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 Statements Audit Report of the County, which provides our opinions on the County's financial statements. 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

December 12, 2023

(This page intentionally left blank.)

COUNTY AUDITOR
OHIO COUNTY

COUNTY AUDITOR
OHIO COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL CLOSE AND REPORTING

A similar comment also appeared in prior Report B49602, entitled *INTERNAL CONTROLS OVER FINANCIAL CLOSE AND REPORTING*, and Report B54074, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

The County Auditor's office had not separated incompatible activities related to financial close and reporting.

The County Auditor prepared and submitted the financial information into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Reports and financial statements. There were no documented internal controls in place, such as an oversight, review, or approval process, to verify the accuracy of the financial information prior to submission. As a result, the following errors were noted:

1. The amounts reported for the Riverboat fund were incorrect for 2019, 2020, and 2021. For 2019, receipts and disbursements were overstated by \$3,908,121 and \$4,029,260, respectively, resulting in the ending cash and investments balance being understated by \$121,139. For 2020, receipts and disbursements were overstated by \$10,843,170 and \$7,058,057, respectively, resulting in the ending cash and investments balance being overstated \$3,785,113. For 2021, receipts and the ending cash and investments balance were understated by \$1,802,726.
2. The amounts reported for the Clerks Trust fund for 2019 were incorrect. Receipts and disbursements were overstated by \$193,825 and \$192,817, respectively, resulting in the ending cash and investments balance being overstated by \$1,008.
3. The RS OC Convention and Tourism fund was omitted in 2021 and 2022. As a result, the 2021 beginning cash and investments balance, receipts, disbursements, and the ending cash and investments balance were understated by \$647,487, \$258,482, \$873,138, and \$32,831, respectively. For 2022, the beginning cash and investments balance, receipts, disbursements, and the ending cash and investments balance were understated by \$32,831, \$266,753, \$273,265, and \$26,319, respectively.
4. The Treasurers Collections fund was omitted in 2021 and 2022. As a result, the 2021 beginning cash and investments balance, receipts, disbursements, and the ending cash and investments balance were understated by \$175,147, \$120,057, \$175,047, and \$120,157, respectively. For 2022, the beginning cash and investments balance, receipts, disbursements, and the ending cash and investments balance were understated by \$120,157, \$135,858, \$120,057, and \$135,958, respectively.
5. Several additional funds during 2020, 2021, and 2022, had individually immaterial errors or were omitted.

COUNTY AUDITOR
OHIO COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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 for 2019, 2020, 2021, and 2022, which resulted in the following errors:

Financial Data

1. The amounts reported for the Riverboat fund were incorrect for 2019, 2020, and 2021. For 2019, receipts and disbursements were overstated by \$3,908,121 and \$4,029,260, respectively, resulting in the ending cash and investments balance being understated by \$121,139. For 2020, receipts and disbursements were overstated by \$10,843,170 and \$7,058,057, respectively, resulting in the ending cash and investments balance being overstated \$3,785,113. For 2021, receipts and the ending cash and investment balance were understated by \$1,802,726.
2. The amounts reported for the Clerks Trust fund for 2019 were incorrect. Receipts and disbursements were overstated by \$193,825 and \$192,817, respectively, resulting in the ending cash and investments balance being overstated by \$1,008.
3. The RC OC Convention and Tourism Fund was omitted in 2021 and 2022. As a result, the 2021 beginning cash and investments balance, receipts, disbursements, and the ending cash and investments balance were understated by \$647,487, \$258,482, \$873,138, and \$32,831, respectively. For 2022, the beginning cash and investments balance, receipts, disbursements, and the ending cash and investments balance were understated by \$32,831, \$266,753, \$273,265, and \$26,319, respectively.

COUNTY AUDITOR
OHIO COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

4. The Treasurers Collections Fund was omitted in 2021 and 2022. As a result, the 2021 beginning cash and investments balance, receipts, disbursements, and the ending cash and investments balance were understated by \$175,147, \$120,057, \$175,047, and \$120,157, respectively. For 2022, the beginning cash and investments balance, receipts, disbursements, and the ending cash and investments balance were understated by \$120,157, \$135,858, \$120,057, and \$135,958, respectively.
5. Several additional funds during 2020, 2021, and 2022, had individually immaterial errors or were omitted.

Adjustments were proposed, accepted by the County, and made to the financial statements and to the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis included as Required Supplementary Information that are presented in the Financial Statements Audit Report of the County.

Accounts Payable and Accounts Receivables

The amount reported by the County for accounts payable and accounts receivable for 2021 and 2022 were incorrect. For 2022, this resulted in accounts receivable and accounts payable being overstated by \$16,326,786 and \$40,717,952, respectively.

Adjustments for 2022 were proposed, accepted by the County, and made to the Schedule of Payables and Receivables presented as Other Information in the Financial Statements Audit Report of the County.

Grant Information

Federal grant information reported by the County was incorrect. The following errors were noted:

1. A state grant was incorrectly reported, which overstated federal expenditures by \$780,322 for 2019.
2. Federal expenditures for the Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii expenditures were overstated by \$208,560 for 2021.
3. The Coronavirus Relief Fund expenditures were overstated by \$189,601 for 2021.
4. Several additional grants had individually immaterial errors that resulted in misstatements of federal expenditures.
5. Other errors included incorrect pass-through entity names, program names, and identifying numbers.

Since the County did not expend the requisite amount of federal dollars during any year of the audit period, a Schedule of Expenditures of Federal Awards was not required to be reported.

COUNTY AUDITOR
OHIO 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](#)."

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The files and governmental unit information that are required to be uploaded monthly include the bank reconciliements, approved County Council minutes and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

Annual upload requirements include the year-end bank statement, year-end outstanding check list, year-end investments, detail of receipt activity, detail of disbursement activity, current year salary ordinance, and an annual vendor history report.

During the 48 months of the audit period, the County Auditor failed to upload the County Council minutes for 8 months, bank reconciliements for 34 months, and fund ledger for 12 months. Additionally, the County Auditor failed to upload any of the required annual engagement uploads for 2019, 2021, or 2022.

Criteria

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. This remote process will provide for more efficient data processing and save audit costs for our clients.

A user guide for the Engagement Uploads is available and located at: <https://gateway.ifionline.org/userguides/engagementguide> **It is pertinent that this user guide be used in conjunction with this Directive.** It provides critical information to you that will help guide you to uploading the correct documents.

(Amended State Examiner Directive 2018-1)

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)

COUNTY AUDITOR
OHIO COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

During a review of disbursements paid from the MVH Restricted fund it was determined that two out of ten disbursements tested were for expenses that were not related to the construction, reconstruction, or preservation of the County's highways. Exceptions noted included a payment for repairs and a payment made for fuel.

Criteria

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

COUNTY AUDITOR
OHIO COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 12, 2023, with Kelli S. Vest, County Auditor; Debbie Combs, Deputy County Auditor; Connie J. Brown, President of the Board of County Commissioners; Tamara J. Elbright, President of the County Council; Yvonne Walton, County Council member; and Charles R. Cleary, Jr., County Council member.

(This page intentionally left blank.)

COUNTY TREASURER
OHIO COUNTY

COUNTY TREASURER
OHIO COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in prior Report B54074, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

The County Treasurer's office had not separated incompatible activities related to cash and investments. One employee was responsible for performing the reconciliation of the depository account balance to the record balance. There were no internal controls in place, such as an oversight, review, or approval process, of the bank reconciliations to ensure reconciliations were being performed and were accurate. Due to the lack of internal controls, the following items were noted:

1. The December 2022 monthly reconciliation contained reconciling items that included \$86,269 in adjustments and \$78,313 in deposits in transit that could not be verified.
2. The December 2022 monthly reconciliation showed a variance of \$55,718 between the ledger balance and the reconciled depository balances.

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. . . ."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance 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 County Treasurers of Indiana, Chapter 1)

COUNTY TREASURER
OHIO COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 12, 2023, with Melinda Smith, County Treasurer; Kelli S. Vest, County Auditor; Debbie Combs, Deputy County Auditor; Connie J. Brown, President of the Board of County Commissioners; Tamara J. Elbright, President of the County Council; Yvonne Walton, County Council member; and Charles R. Cleary, Jr., County Council member.

(This page intentionally left blank.)

CLERK OF THE CIRCUIT COURT
OHIO COUNTY

CLERK OF THE CIRCUIT COURT
OHIO COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

The same comment also appeared in prior Report B54074.

Condition and Context

There were several deficiencies in the internal control system of the Clerk of the Circuit Court (Clerk) related to financial transactions and reporting. The Clerk had not separated incompatible activities related to cash and investments, receipts, and disbursements.

Cash and Investments

One employee was responsible for performing the reconciliation of the depository account balance with the record balance. There were no internal controls in place, such as an oversight, review, or approval process to ensure that reconciliations were performed and were accurate.

Receipts

Employees responsible for collecting receipts were also at times responsible for balancing the cash drawer and preparing and making the bank deposits. There was not an adequate segregation of duties in place, such as an oversight, review, or approval process at the times when this occurred.

Disbursements

Internal controls over Trust and Support disbursements were not implemented. One employee would enter the disbursement information into the system, print the checks, and mail the checks. Disbursement documentation and reports were retained, but there was no evidence of an oversight, review, or approval process presented.

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
OHIO 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. . . ."

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The Clerk of the Circuit Court (Clerk) did not comply with the State Examiner Directive and failed to upload the required monthly financial information on the Indiana Gateway for Government Units financial reporting system for February 2021 through December 31, 2021. Required monthly uploads for 2022 were not done until May 2023. Additionally, the Clerk failed to upload the required annual Court Trust Fund Subsidiary Detail as of December 31 for 2019, 2020, 2021, and 2022.

Criteria

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. This remote process will provide for more efficient data processing and save audit costs for our clients.

A user guide for the Engagement Uploads is available and located at: <https://gateway.ifionline.org/userguides/engagementguide> **It is pertinent that this user guide be used in conjunction with this Directive.** It provides critical information to you that will help guide you to uploading the correct documents.

(Amended State Examiner Directive 2018-1)

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 Clerks of the Circuit Courts of Indiana, Chapter 1)

CLERK OF THE CIRCUIT COURT
OHIO COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 12, 2023, with Jamie Stegemiller, Clerk of the Circuit Court; Kelli S. Vest, County Auditor; Debbie Combs, Deputy County Auditor; Connie J. Brown, President of the Board of County Commissioners; Tamara J. Elbright, President of the County Council; Yvonne Walton, County Council member; and Charles R. Cleary, Jr., County Council member.

COUNTY HIGHWAY DEPARTMENT
OHIO COUNTY

COUNTY HIGHWAY DEPARTMENT
OHIO COUNTY
AUDIT RESULT AND COMMENT

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

During a review of disbursements paid from the MVH Restricted fund it was determined that two out of ten disbursements tested were for expenses that were not related to the construction, reconstruction, or preservation of the County's highways. Exceptions noted included a payment for repairs and a payment made for fuel.

Criteria

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

COUNTY HIGHWAY DEPARTMENT
OHIO COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 12, 2023, with Michael Kirkpatrick, Superintendent of the Highway Department; Kelli S. Vest, County Auditor; Debbie Combs, Deputy County Auditor; Connie J. Brown, President of the Board of County Commissioners; Tamara J. Elbright, President of the County Council; Yvonne Walton, County Council member; and Charles R. Cleary, Jr., County Council member.

(This page intentionally left blank.)

COUNTY CONVENTION AND TOURISM COMMISSION
OHIO COUNTY

COUNTY CONVENTION AND TOURISM COMMISSION
OHIO COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

The Ohio County Convention and Tourism and Visitor Commission had not separated incompatible activities related to cash and investments, and receipts.

Cash and Investments

One employee was responsible for performing the reconciliation of the depository account balance with the record balance. There were no internal controls in place, such as an oversight, review, or approval process, of the bank reconciliations to ensure reconciliations were being performed and were accurate.

Receipts

One employee was responsible for collecting receipts, preparing and making the bank deposits, and posting receipts to the ledger. There was not adequate segregation of duties in place, such as an oversight, review, or approval process.

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. . . ."

COUNTY CONVENTION AND TOURISM COMMISSION
OHIO COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 12, 2023, with Kendal Miller, Executive Director of the Ohio County Convention, Tourism and Visitors Commission; Jim McDaniel, President of the Board of Directors of the Ohio County Convention, Tourism and Visitors Commission; Kelli S. Vest, County Auditor; Debbie Combs, Deputy County Auditor; Connie J. Brown, President of the Board of County Commissioners; Tamara J. Elbright, President of the County Council; Yvonne Walton, County Council member; and Charles R. Cleary, Jr., County Council member.