

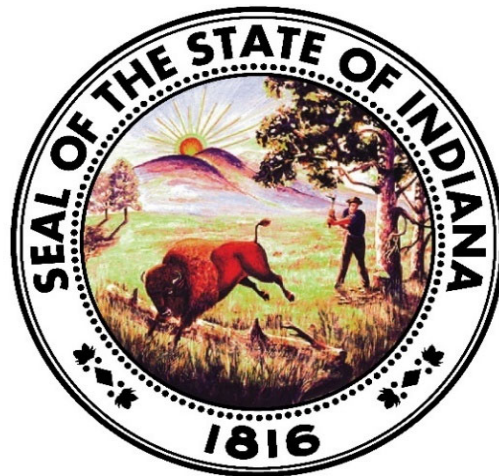
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT

OF

VERMILLION COUNTY, INDIANA

January 1, 2021 to December 31, 2022



FILED
10/02/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Brenda J. Furry	01-01-21 to 12-31-23
County Treasurer	Florinda A. Pruitt	01-01-21 to 12-31-23
Clerk of the Circuit Court	Gracie York	01-01-21 to 12-31-23
County Sheriff	Michael Phelps Michael Holtkamp	01-01-21 to 12-31-22 01-01-23 to 12-31-23
County Recorder	Jennifer Peebles	01-01-21 to 12-31-23
President of the Board of County Commissioners	Tim Yocum	01-01-21 to 12-31-23
President of the County Council	Ashley James	01-01-21 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF VERMILLION COUNTY, INDIANA

This report is supplemental to the audit report of Vermillion County (County), for the period from January 1, 2021 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/.

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.

A handwritten signature in blue ink that reads "Beth Kelley".

Beth Kelley, CPA, CFE
Deputy State Examiner

September 20, 2023

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COUNTY AUDITOR
VERMILLION COUNTY

COUNTY AUDITOR
VERMILLION COUNTY
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

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:

Financial Data - Receipts and Investments

Investment activity in several funds was improperly classified as Earnings on Investments and Deposits, which led to a \$4,365,090 overstatement of receipt activity and corresponding understatement of beginning cash and investments on the financial statement for 2021. Additionally in 2021, the County overstated both receipts and ending cash and investments balances in its Cumulative Jail fund by \$2,238,962.

The County also had multiple immaterial misstatements of receipts and disbursements in the Clerk's Trust, County Cleanup, Cumulative Reassessment, and Supp Public Def Service Fund funds in 2021 and 2022.

Adjustments were proposed, accepted by the County, and made to the financial statement and to the Combining Schedules of Receipts, Disbursements, and Cash and Investments balances - Regulatory Basis presented as Required Supplementary Information in the Financial Statement Audit Report of the County.

Federal Grant Schedule

1. Eight grants were omitted in 2021, and one grant was omitted in 2022, which understated expenditures by \$491,793 and \$216,843, respectively.
2. Three grants' expenditures were overstated in 2021 by a total of \$105,170.
3. One grant's expenditures was understated in 2021 in the amount of \$71,447.

Capital Assets

The capital asset schedule included assets with an actual cost below the capital asset threshold of \$5,000, which overstated capital assets.

Investment Fund Statement

Investments were not included on the Investment Fund Statement for 2021 and 2022.

Schedule of Leases and Debt

The County improperly coded its Jail Rehab and Expansion Lease Rental Revenue Bonds agreement as long-term debt rather than a capital lease.

In addition, the County Highway Department equipment leases reported on the County's AFR noted incorrect lessors, purposes, and beginning and ending lease dates. Also, there were two active lease agreements identified that were omitted from the schedule.

COUNTY AUDITOR
VERMILLION COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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

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](#)."

CAPITAL ASSETS

Condition and Context

The County provided detailed subsidiary records of its capital assets for audit; however, records provided included assets below the County's capital asset threshold of \$5,000. In addition, the County did not properly update its detailed listing of assets or complete an annual physical inventory as required by its policy throughout the audit period.

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)

COUNTY AUDITOR
VERMILLION COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The County Auditor incorrectly certified in the Indiana Gateway for Government Units (Gateway) financial reporting system that County personnel had received training concerning the internal control standards. Documentation for the audit period was not provided to verify that the County's required personnel received training on internal control standards.

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](#)."

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

The County inappropriately paid payroll and payroll related benefits from the MVH Restricted fund without documentation to support that these payments were for the construction, reconstruction, or preservation of the County's highways, as required.

In addition, the MVH and MVH Restricted funds were not shown separately on the County's Annual Financial Report, which is the source of the financial statement.

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."

On the chart of accounts, the MVH Fund and MVH Restricted sub-fund shall be shown as follows:

Counties

Fund 1176	MVH
Fund 1173	MVH Restricted . . .

Together, MVH and MVH Restricted shall constitute the total MVH Fund. MVH and MVH Restricted will be shown separately on the Annual Financial Report and Annual Operational Report.

(State Examiner Directive 2018-2)

COUNTY AUDITOR
VERMILLION COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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)

Brenda J. Furry, Vermillion County Auditor

Kylee Yocum-Chief Deputy Auditor Leigh Ann Smith-HR/Payroll Deputy
Christina Miller-Property Deputy Hope Grubbs-Claims Deputy Jenny Sloan-Assistant Deputy

September 30, 2023

2021–2022 SBOA Audit / Auditor letter of response:

Financial Data – Receipt and Investments

The Investment activity classifications of earnings, rather than investments, were due to an uploading/communication issue between the county software system and Gateway, the state system. During the process of the audit this was discussed with the SBOA auditor and myself and the corrections were made.

Federal Grant Schedule

An internal resolution to include and receive all grants from all county departments will be implemented.

Capital Assets

The asset management plan will be updated for the SBOA submittal of only those assets that are valued at \$5,000 or higher.

Investment Fund Statement

Investment reporting issues, due to the uploading error, will be resolved.

Schedule of Leases and Debt

The coding of the Jail Rehab as long-term debt rather than a capital lease has been corrected, as well as the highway department leases.

Respectfully,


Brenda J. Furry
Vermillion County Auditor

COUNTY AUDITOR
VERMILLION COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 20, 2023, with Brenda J. Furry, County Auditor; Britton L. Luther, County Commissioner; Ashley James, President of the County Council; and Scott Craig, Attorney for the County Council.

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BOARD OF COUNTY COMMISSIONERS
VERMILLION COUNTY

BOARD OF COUNTY COMMISSIONERS
VERMILLION COUNTY
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

County employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the County, had not received training over internal control standards that was developed or approved by the Indiana State Board of Accounts.

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."

BOARD OF COUNTY COMMISSIONERS
VERMILLION COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 20, 2023, with Brenda J. Furry, County Auditor; Britton L. Luther, County Commissioner; Ashley James, President of the County Council; and Scott Craig, Attorney for the County Council.