

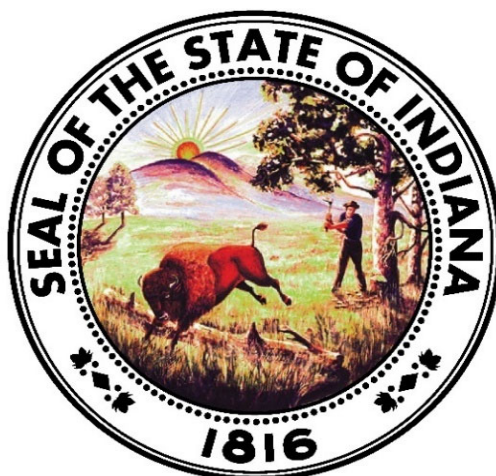
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT

OF

WASHINGTON COUNTY, INDIANA

January 1, 2021 to December 31, 2022



FILED

12/28/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Kyra Stephenson	01-01-21 to 12-31-23
County Treasurer	Nancy Coats	01-01-21 to 12-31-23
Clerk of the Circuit Court	Stephanie K. Rockey	01-01-21 to 12-31-23
County Sheriff	Brent A. Miller	01-01-21 to 12-31-23
County Recorder	Terri Graves	01-01-21 to 12-31-23
County Highway Superintendent	Rick Voyles	01-01-21 to 12-31-23
President of the Board of County Commissioners	Phillip D. Marshall	01-01-21 to 12-31-23
President of the County Council	Keeley Stingel	01-01-21 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

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Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF WASHINGTON COUNTY, INDIANA

This report is supplemental to the audit report of Washington 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

December 12, 2023

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COUNTY AUDITOR
WASHINGTON COUNTY

COUNTY AUDITOR
WASHINGTON COUNTY
AUDIT RESULTS AND COMMENTS

DISBURSEMENT ACTIVITY FROM MVH RESTRICTED FUND

The same comment appeared in prior Report B58046.

Condition and Context

MVH Restricted fund disbursements were made for activities not related to the construction, reconstruction, or preservation of the County's highways for 5 of 15 disbursements tested. There were 4 disbursements for vehicle fuel expenses, and 1 was for tree removal, which were not direct costs allocable to any specific road or bridge project.

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."

ANNUAL FINANCIAL REPORT

Condition and Context

Financial, supplemental, and other information are required to be entered annually into the Annual Financial Report via the Indiana Gateway for Government Units (Gateway) financial reporting system. Errors or incomplete information was identified with the information reported.

The Investment Fund Statement reported in Gateway for the year 2022 was inaccurate. The statement reported an investment of \$150,000 that no longer existed and failed to report \$3 million dollars of investments being held at year end.

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](#)."

COUNTY AUDITOR
WASHINGTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 12, 2023, with Phillip D. Marshall, President of the Board of County Commissioners; Todd M. Ewen, County Commissioner; Rick Roberts, County Commissioner; Rondale Brishaber, County Council member; Kyra Stephenson, County Auditor; and Michele Fleenor, Financial Deputy Auditor.

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COUNTY HIGHWAY DEPARTMENT
WASHINGTON COUNTY

COUNTY HIGHWAY DEPARTMENT
WASHINGTON COUNTY
AUDIT RESULT AND COMMENT

DISBURSEMENT ACTIVITY FROM MVH RESTRICTED FUND

The same comment appeared in prior Report B58046.

Condition and Context

MVH Restricted fund disbursements were made for activities not related to the construction, reconstruction, or preservation of the County's highways for 5 of 15 disbursements tested. There were 4 disbursements for vehicle fuel expenses, and 1 was for tree removal, which were not direct costs allocable to any specific road or bridge project.

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
WASHINGTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 7, 2023, with Rick Voyles, County Highway Superintendent.

The contents of this report were discussed on December 12, 2023, with Phillip D. Marshall, President of the Board of County Commissioners; Todd M. Ewen, County Commissioner; Rick Roberts, County Commissioner; Rondale Brishaber, County Council member; Kyra Stephenson, County Auditor; and Michele Fleenor, Financial Deputy Auditor.

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CLERK OF THE CIRCUIT COURT
WASHINGTON COUNTY

CLERK OF THE CIRCUIT COURT
WASHINGTON COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

The same comment also appeared in prior Reports B54324 and B58046.

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 as follows:

Cash and Investments

Proper internal controls were not in place over cash and investments. One person performed the monthly bank reconciliations without any documented oversight or review. This same individual was also responsible for reconciling daily cash collections. The following exceptions were noted with the bank reconciliations performed:

- The reconciliation did not include all bank accounts and investment accounts.
- The record balance used in the reconciliation did not agree with the record balance presented for audit.

Financial Transactions

Evidence was not presented for audit that internal controls were in place to ensure all financial activity for the day was properly recorded to the Clerk's Cash Book of Receipts and Disbursements (cash book) and deposited to the bank. No documentation was presented to show that the Daily Cash Balance report was reviewed to ensure that all receipt and disbursement activity for the day was properly processed and recorded within the computerized financial system. Documentation of credit card and online electronic funds transfer payments was not provided to show all monies were properly receipted into the accounting records. In comparing total daily receipts with the amounts recorded to the cash book, errors were identified in 20 percent of the days tested.

Proper internal controls were not in place for disbursement transactions. One individual was responsible for issuing checks with no evidence presented for audit to substantiate that there was an oversight or review process to ensure that the checks were issued to the proper payee for the proper amount or that they were properly recorded.

There were no documented internal controls in place showing the reconciliation of the subsidiary trust account balance with the trust control account.

Financial Reporting

Internal controls over the Supplemental Annual Financial Report (CAR-1) for the Clerk's financial information prepared for inclusion in the County's financial statement were not effective as the amounts reported were incorrect. In the 2021 CAR-1, the beginning cash and investments balance was overstated, receipts were understated, disbursements were overstated, and the ending cash and investments balance was overstated in the amounts of \$17,673, \$17,152, \$198, and \$323, respectively. In the 2022 CAR-1, the beginning cash and investments balance was overstated, receipts were understated, disbursements were understated, and the ending cash and investments balance was overstated in the amounts of \$323, \$46,184, \$200,422, and \$154,561, respectively.

CLERK OF THE CIRCUIT COURT
WASHINGTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Audit adjustments were proposed, approved by the County, and made to the financial statement presented in the Financial Statement Audit Report of the County.

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."

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](#)."

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 Clerk of the Circuit Courts of Indiana, Chapter 1)

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The Clerk of the Circuit Court had not uploaded all required monthly and annual engagement uploads into the Indiana Gateway for Government Units financial reporting system as required by Amended State Examiner Directive 2018-1.

No monthly or annual required documentation were uploaded for all of 2021.

CLERK OF THE CIRCUIT COURT
WASHINGTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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 Counties of Indiana, Chapter 1)



STEPHANIE K. ROCKEY, CLERK
WASHINGTON COUNTY CLERK OF THE COURTS

December 15, 2023

OFFICIAL RESPONSE

Contact Person: Stephanie K. Rockey, Clerk
Contact Phone Number: 812-883-5748 x1120

Views of Responsible Official:

We will strive to work with Court Technology and SBOA to make appropriate changes to be in compliance with future audits.

Cash and Investments:

Effective additional controls will be documented by signatures to ensure that proper reviews and approvals over the daily reconciling of cash collections and disbursements. Further documented auditing of cases and payments to further reassure that disbursements are going to the correct party above those that Court Technology has embedded.

Financial Transactions: The Cash Book and Daily Cash Balance report will include additional signatures to provide evidence of the review and approval process performed. All daily transaction reports will be audited, approved, and scanned daily for retention for audits.

All outside investment reconcilements will be documented manually to provide documentation for audits.

Financial Reporting: The CAR-1 report will be prepared by one individual and reviewed and approved by another as evident by signatures to ensure the amounts reported are correct.

Anticipated Completion Date:

Cash and Investments: 12-31-2023
Financial Transactions: 12-31-2023
Financial Reporting: 12-31-2023

With appreciation,

A handwritten signature in black ink that reads "Stephanie K. Rockey".

Stephanie K. Rockey,
Clerk of Court

CLERK OF THE CIRCUIT COURT
WASHINGTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 7, 2023, with Stephanie K. Rockey, Clerk of the Circuit Court.

The contents of this report were discussed on December 12, 2023, with Phillip D. Marshall, President of the Board of County Commissioners; Todd M. Ewen, County Commissioner; Rick Roberts, County Commissioner; Rondale Brishaber, County Council member; Kyra Stephenson, County Auditor; and Michele Fleenor, Financial Deputy Auditor.

COUNTY SHERIFF
WASHINGTON COUNTY

COUNTY SHERIFF
WASHINGTON COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTION AND REPORTING

The same comment also appeared in prior Reports B54324 and B58046.

Condition and Context

Proper internal controls, including segregation of duties, had not been established for the County Sheriff's Department.

The County Sheriff (Sheriff) had not designed or implemented internal controls, including segregation of duties for the Inmate Trust, Cash Book, Commissary, and Sheriff Investigative Fund. One person was responsible for recording the financial activity, making deposits, writing checks, posting financial transactions, and performing bank reconciliations. The process was completed without a documented oversight, review, or approval process to ensure the accuracy of the financial transactions and reporting.

The financial information reported by the Sheriff on the Supplemental CAR-1 report for inclusion in the County's Annual Financial Report (AFR) in 2021 and 2022 was incorrect. The 2021 Inmate Trust Fund's beginning cash and investments balance was understated by \$1,957, and receipts, disbursements, and ending cash and investments balance were overstated by \$644,933, \$611,151, and \$31,825, respectively. The 2022 Inmate Trust Fund's beginning cash and investments balance, receipts, and ending cash and investments balance were overstated by \$31,825, \$37,118, and \$68,943, respectively.

Audit adjustments were proposed, accepted by the County, and made to the financial statement presented in the Financial Statement Audit Report of the County.

Inmate Trust

A review of the inmate trust financial activity identified the following deficiencies in financial transaction and reporting:

1. The subsidiary record of individual inmates' account balances was not reconciled to the inmate trust control account per the Inmate Trust ledger during the audit period. Monthly reconciliations of the subsidiary account to the control account are needed to ensure all financial transactions have been properly recorded in the financial records.
2. The ledger reports generated from the accounting system did not properly carry forward the ending balance from one year to the beginning balance the next year. The ending balance as of December 31, 2021, differed from the beginning balance as of January 1, 2022, in the amount of \$15,121.
3. Deposits in transit and outstanding electronic withdrawals, some of which were several months old, were included in the monthly bank reconciliations. Such items should typically clear the bank the following month and should no longer be reconciling items in subsequent months. Transactions that do not clear within the following month should be reviewed to determine if there is a legitimate reason or if a posting error was made.
4. Entries were made in the financial records without documentation to support the reason for the entry.

COUNTY SHERIFF
WASHINGTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

5. Monies were not deposited timely. Activity reviewed during the audit period indicated monies were being deposited weekly regardless of the amount of funds received.

Cash Book

A review of the Sheriff's Cash Book financial activity identified the following deficiencies in financial transactions and reporting:

1. Monies were retained in the Sheriff's Cash Book for which the source of the funds was not readily identifiable. The ending balance of the Sheriff's Cash Book at December 31, 2022, totaled \$45,830, \$15,235 of which could not be traced to the original source of the funds.
2. Proper internal controls were not in place to disburse monies in a timely manner for monies received for cash bonds. Activity reviewed during the audit period identified instances in which bonds were held up to three weeks before being remitted to the Clerk of the Circuit Court.
3. Monies were not deposited timely. Activity reviewed during the audit period indicated monies were being deposited weekly regardless of the amount of funds received.

Sheriff Investigative Fund

A review of the Sheriff Investigative Fund financial activity identified the following deficiencies in financial transactions and reporting:

1. Prescribed form General Form 358 Ledger of Receipts, Disbursements, and Balances, or an approved substitute form, was not maintained for the Sheriff Investigative Fund. The financial activity reported by the Sheriff on the supplemental CAR-1 was based solely on bank statement activity during the audit period.
2. Bank reconciliements were performed, but were not done so properly since no ledger was maintained to reconcile the fund balance to the bank balance. Due to minimal activity in the bank account, the record balance shown was determined to be the same as the bank balance.

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](#)."

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
WASHINGTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 5-13-6-1(c) states in part:

" . . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

Indiana Code 5-13-6-1(g) states in part:

"The following are not required to deposit funds on the business day following receipt if the funds on hand do not exceed five hundred dollars (\$500): . . .

- (2) A local officer of a political subdivision required to deposit funds under subsection (c) other than a township trustee.
- (3) A city or a town required to deposit funds under subsection (d)."

Indiana Code 35-33-8-3.2(e) states in part: ". . . The county sheriff shall remit the bail to the clerk of the court by the following business day and remit monthly the five dollar (\$5) special death benefit fee to the county auditor."

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 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 SHERIFF
WASHINGTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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)

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The County Sheriff had not uploaded the required monthly and annual engagement documents for the period April 2022 to December 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 Counties of Indiana, Chapter 1)

COUNTY SHERIFF
WASHINGTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 12, 2023, with Brent A. Miller, County Sheriff; Phillip D. Marshall, President of the Board of County Commissioners; Todd M. Ewen, County Commissioner; Rick Roberts, County Commissioner; Rondale Brishaber, County Council member; Kyra Stephenson, County Auditor; and Michele Fleenor, Financial Deputy Auditor.