

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

**Paul D. Joyce, CPA
State Examiner**

SPECIAL COMPLIANCE REPORT

OF

VERMILLION COUNTY, INDIANA

April 1, 2021 to April 30, 2025



FILED

06/17/2025

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TO: THE OFFICIALS OF VERMILLION COUNTY, INDIANA

This is a special compliance report for Vermillion County (County), for the period April 1, 2021 to April 30, 2025, and is in addition to any other report for the County as required under Indiana Code 5-11-1. All reports pertaining to the County may be found at www.in.gov/SBOA/.

We performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts and were limited to records associated with compensation and benefits. The 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 Results and Comments, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
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June 5, 2025

VERMILLION COUNTY
RESULTS AND COMMENTS

BACKGROUND

The Indiana State Board of Accounts (SBOA) received information regarding an employee of the County that was not enrolled in the Indiana Public Retirement System (INPRS). When the SBOA met with County officials, it was discovered that one additional employee was never enrolled in the INPRS and another employee had not received a contribution by the County into a Health Savings Account; therefore, these employees never received the proper benefits they were entitled to.

The SBOA examined County records for the period April 1, 2021 to April 30, 2025. The SBOA reviewed the documentation provided by the County for compensation and benefits. The following describes noncompliance with the Indiana Code and/or the *Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana*.

COMPENSATION AND BENEFITS

There were three County employees that did not receive benefits they were entitled to.

Pursuant to Indiana Code 5-10.3-7-1 and the County Employee Personnel Policy (Personnel Policy), County employees were required to become members of the Indiana Public Retirement System (INPRS) on their first day of employment. Two employees were not timely enrolled as required.

Employee #1

In February 2025, it was discovered that an employee hired in May 2021 was not enrolled in the INPRS at the start of their employment at the County. Once discovered, County officials worked with the INPRS on how to resolve the issue. It was decided that an agreement would be signed by the Board of County Commissioners and the employee, foregoing the years of experience from the date of hire to present and, in turn, take a financial buyout. The employee would be enrolled in the INPRS, and contributions would be made by both the employee and County moving forward. The buyout of \$16,393.25 was paid on February 21, 2025, out of the Rainy Day Fund. The Rainy Day Fund did not have an appropriation for 2025 as required by Indiana Code 36-1-8-5.1(c) and the County's Resolution 2004-3.

Employee #2

In late March 2025, a second employee that was hired in 2021 was found to have not been enrolled in the INPRS at the beginning of employment. As of the date of this report, there has been no agreement or resolution to address the situation.

County Resolutions Fixing Compensation for Employees and Officials for the Years for 2022, 2023, and 2024 included a section that allowed the County to provide employees, who participated in a Health Savings Account (HSA), a quarterly contribution of \$250 to their account. Although it was a benefit in 2021, it was not included on the Resolution Fixing Compensation for Employees and Officials.

VERMILLION COUNTY
RESULTS AND COMMENTS
(Continued)

Employee #3

In late February/early March 2025, an employee that was hired in 2021 was found to have not received a HSA contribution from the County since the beginning of employment. Since there is a limit to what can be contributed to an HSA each year, and the amount owed to the employee exceeded that, it was decided that an agreement would be signed by the Board of County Commissioners and the employee for a financial buyout. The employee would start receiving HSA contributions from the County moving forward. The buyout of \$3,667 was paid out on March 7, 2025, out of the Rainy Day Fund. The Rainy Day Fund did not have an appropriation for 2025 as required by Indiana Code 36-1-8-5.1(c) and the County's Resolution 2004-3.

All buyouts were paid through an accounts payable claim with the intention of issuing a 1099. The claims were not presented to the Board of County Commissioners at a public meeting for allowance.

The SBOA discussed these issues with County Auditor Ron Dunavan (Dunavan), and his office is continuing to review the compensation and benefits of all County employees and officials.

Indiana Code 5-10.3-7-1 provides in part:

". . . (d) Except as otherwise provided, any individual who becomes a full-time employee of the state or of a participating political subdivision in a covered position after March 31, 1988, becomes a member of the fund on the date the individual's employment begins unless the individual is excluded from membership under section 2 of this chapter.

(e) An individual:

- (1) who becomes a full-time employee of a political subdivision in a covered position after June 30, 2015;
- (2) who is employed by a political subdivision that has elected in an ordinance or resolution adopted under [IC 5-10.3-6-1](#) and approved by the board to require an employee in the covered position to become a member of the fund; and
- (3) who is not excluded from membership under section 2 of this chapter;

becomes a member of the fund on the date the individual's employment begins.

(f) An individual:

- (1) who becomes a full-time employee of a political subdivision in a covered position after an ordinance or resolution described in subdivision (2) that is adopted by the political subdivision has been approved by the board;
- (2) who is employed by a political subdivision that has elected in an ordinance or resolution adopted under [IC 5-10.3-6-1](#) and approved by the board:
 - (A) to allow an employee in the covered position to become a member of the fund or a member of the public employees' defined contribution plan at the discretion of the employee; and
 - (B) to require an employee in a covered position to make an election under [IC 5-10.3-12-20.5](#) in order to become a member of the plan;

VERMILLION COUNTY
RESULTS AND COMMENTS
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- (3) who does not make an election under [IC 5-10.3-12-20.5](#) to become a member of the public employees' defined contribution plan; and
- (4) who is not excluded from membership under section 2 of this chapter;

becomes a member of the fund on the date the individual's employment begins.

(g) An individual:

- (1) who becomes a full-time employee of a political subdivision in a covered position after an ordinance or resolution described in subdivision (2) that is adopted by the political subdivision has been approved by the board;
- (2) who is employed by a political subdivision that has elected in an ordinance or resolution adopted under [IC 5-10.3-6-1](#) and approved by the board:
 - (A) to allow an employee in the covered position to become a member of the fund or the public employees' defined contribution plan at the discretion of the employee; and
 - (B) to require an employee to make an election under section 1.1 of this chapter in order to become a member of the fund;
- (3) who does make an election under section 1.1 of this chapter to become a member of the fund; and
- (4) who is not excluded from membership under section 2 of this chapter;

becomes a member of the fund on the date the individual's employment begins."

Vermillion County Employee Personnel Policy Sections 3.12 and 4.17 states as follows:

3.12 PAY DEDUCTIONS/GARNISHMENTS

No payroll deduction will be made from an employee paycheck unless authorized by the employee or required by law. Employees are required to report changes in family status, address, or other information that could affect amount of deductions withheld. The County is legally required to make certain deductions from each employee's paycheck, including federal, state and local income taxes, retirement system contributions, court-ordered child support, and any other deductions required by law. The County must also deduct social security taxes on each employee's earnings, up to a specified limit called the social security "wage base." The County matches the amount of social security taxes paid by each employee.

The County offers programs and benefits beyond those required by law. Eligible employees may voluntarily authorize deductions from their paychecks to cover costs to participate in these programs.

Questions concerning paycheck deductions and/or methods of calculation should be directed to the County Auditor.

VERMILLION COUNTY
RESULTS AND COMMENTS
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4.17 INDIANA PUBLIC RETIREMENT SYSTEM (INPRS)

All full-time employees, elected officials, and other County employees, except Deputy Sheriffs who are covered under the Sheriff Pension Fund, are covered by INPRS, a retirement program established and maintained by the State of Indiana. INPRS pays benefits to covered workers or their dependents upon retirement, death, and in certain cases, serious illness or injury. The County contributes a percentage to the pension account. The amount the County contributes varies and is determined actuarially annually. The employee's contributions and accumulated interest credits are refundable when an employee terminates employment prior to being eligible for benefits. INPRS Employer Financed Pension requires ten (10) years of service to become vested, and is paid by the County based on an employee's length of employment, average salary, retirement option selected, and age at retirement. Questions concerning the program should be directed to: Indiana Public Retirement System, One North Capital, Suite 001, Indianapolis, IN 46204. (888) 526-1687.

County Resolutions Fixing Compensation for Employees and Officials for the Year for 2022, 2023, and 2024 states in part: "Employees participating in a Health Savings Account (HSA) shall receive a \$250 quarterly contribution to their account from the County. . . ."

Indiana Code 36-1-8-5.1(c) states: "The rainy day fund is subject to the same appropriation process as other funds that receive tax money."

The board of county commissioners shall examine the merits of all claims or vouchers so presented and may, in its discretion, allow such claim or voucher, in whole or in part, as they may find to be valid. [IC 36-2-6-2] It is unlawful for any board of commissioners of any county or for any member thereof to make any allowance or to allow any claim or voucher against the county, or order the issuance of any county warrant for the payment of any sum of money, except at a regular or special session of the board. [36-2-6-4] Each claim or voucher must show the date and amount allowed. If a claim or voucher is disallowed in whole or in part, this should be clearly shown on the claim or voucher and on the docket or register. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 8)

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

INTERNAL CONTROLS

Internal controls over payroll, compensation, and benefits in 2021 were insufficient. Internal controls were not in place to ensure that all County employees were receiving the proper benefits. There was no verification that new employees were enrolled in benefits, such as the Indiana Public Retirement System, and that proper contribution was being made by the County and employee. The insufficient internal controls allowed for the noncompliance of employee benefits to go undetected for years and make a financial impact on the County and employee once discovered.

VERMILLION COUNTY
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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. . . ."

VERMILLION COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 5, 2025, with Ron Dunavan, County Auditor; Ashley James, President of the County Council; Neil Costello, County Council member; Rick O. Weir, County Council member; Tammie Brown, County Council member; Penny Carpenter, Area Plan; Paige Kilgore, Assessor; Florinda A. Pruitt, Recorder; Misty Sandlin, Deputy County Auditor; Billie Bush, HR/Payroll; Stephanie Simpson, Deputy County Treasurer; and, via phone, Misty Hess, County Commissioner, and Brenda Furry, County Council member.