

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

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

OWEN COUNTY, INDIANA

January 1, 2021 to December 31, 2023



FILED

02/26/2025

*The report is being reissued
on February 28, 2025, to
include an Official Response.*

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
County Auditor:	
Audit Results and Comments:	
Monthly and Annual Uploads	6
Motor Vehicle Highway (MVH) - Restricted Fund	7-8
Capital Assets	8
Internal Controls - Financial Close and Reporting	9
Annual Financial Report.....	9-11
Contracts	11
Overdrawn Cash Balances	12-13
Condition of Records - Receipts and Disbursements	13
Official Response.....	14-15
Exit Conference	16
County Sheriff:	
Audit Results and Comments:	
Internal Controls - Condition of Records	18-19
Supporting Documentation	20
Exit Conference	21
County Health Department:	
Audit Result and Comment:	
Nepotism	24-25
Exit Conference	26
Board of County Commissioners:	
Audit Result and Comment:	
Indebtedness.....	28-29
Exit Conference	30

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Sheila Reeves	01-01-21 to 12-31-25
County Treasurer	Diane Stutsman Shelly Townsend	01-01-21 to 12-31-22 01-01-23 to 12-31-25
Clerk of the Circuit Court	Peggy Robertson Leslieann Sheese Burton Diane Stutsman	01-01-21 to 05-31-21 06-01-21 to 12-31-22 01-01-23 to 12-31-25
County Sheriff	Leonard S. Hobbs Ryan T. White	01-01-21 to 12-31-22 01-01-23 to 12-31-25
County Recorder	Loretta Foster	01-01-21 to 12-31-25
County Highway Superintendent	Greg Melton	01-01-21 to 12-31-25
County Health Department Health Officer	Dr. B. Diane Wells	01-01-21 to 12-31-25
County Prosecutor	Donald R. VanDerMoere II Benjamin C. Kim	01-01-21 to 02-28-23 03-01-23 to 12-31-25
President of the Board of County Commissioners	Gary Burton Leonard S. Hobbs	01-01-21 to 12-31-24 01-01-25 to 12-31-25
President of the County Council	Polly Chesser	01-01-21 to 12-31-25



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INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF OWEN COUNTY, INDIANA

This report is supplemental to the audit report of Owen County (County), for the period from January 1, 2021 to December 31, 2023. 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

February 11, 2025



COUNTY AUDITOR
OWEN COUNTY

COUNTY AUDITOR
OWEN COUNTY
AUDIT RESULTS AND COMMENTS

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The County had not established effective internal controls over monthly and annual uploads. The County did not comply with the State Examiner Directive to upload a portion of the annual files on the Indiana Gateway for Government Units financial reporting system. Missing documents included the Salary Ordinance (2022), the Annual Payroll History Report (2023), the Accounts Payable/Receivable Schedule Support (2023), and the Personnel Policy (2023).

Additionally, none of the County Prosecutor's bank statements or bank reconciliations were uploaded monthly throughout the audit period.

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. . . ."

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)

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.

(Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021; Updated October 30, 2023, effective with the December 2023 monthly uploads due February 15, 2024, and the 2023 annual uploads due March 1, 2024)

COUNTY AUDITOR
OWEN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

A similar comment also appeared in prior Report B58555, entitled *MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND*.

Condition and Context

The County had not established effective internal controls over the Motor Vehicle Highway (MVH) Restricted fund. During the audit period, the County created a sub-fund of the Motor Vehicle Fund, but did not separately report the (MVH) Restricted fund, as directed by the State Examiner. The financial statements are adjusted to reflect these two funds.

In addition, in a test of disbursements from the (MVH) Restricted fund, 3 of the 15 disbursements tested that were not utilized for allowable costs, including construction, reconstruction, or preservation of the County's highways. Of these disbursements, 2 were for maintenance of trucks in the amount of \$44,664. The other was for a payroll claim in the amount of \$34,438 that was not supported by documentation showing that what was paid was strictly for employees working on a project that included construction, reconstruction, or preservation of the County's highways.

Criteria

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Indiana Code 8-14-1-4(b) states: "Except as provided in subsection (c), 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."

The purpose of this Directive is to authorize and require counties, cities, and towns that receive distributions from the State Motor Vehicle Highway Account to **create a new sub-fund within the MVH Fund** to properly manage and account for the usage restrictions that were included in House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018.

The sub-fund will be referred to throughout this Directive as "MVH Restricted" and will be used to account for MVH monies which have been statutorily restricted for construction, reconstruction, and preservation purposes. . . .

COUNTY AUDITOR
OWEN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted.

(State Examiner Directive 2018-2)

CAPITAL ASSETS

A similar comment also appeared in prior Reports B53642 and B58555, entitled *CAPITAL ASSETS*.

Condition and Context

The County had not established effective internal controls over capital assets. The County provided a capital asset ledger; however, the listing was not complete. All departments had not completed their inventory listing. Additionally, evidenced by the incompleteness of the capital asset ledger, the County had not completed a physical inventory at least every two years.

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:

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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 detailed 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
OWEN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS - FINANCIAL CLOSE AND REPORTING

Similar comments also appeared in prior Report B49749, entitled *ANNUAL FINANCIAL REPORT* and *INTERNAL CONTROLS*, and in prior Reports B53642 and B58555, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

The County had not established effective internal controls over the financial close and reporting. The County did not have documented evidence of segregation of duties concerning the financial close and reporting process. The County was unable to provide audit evidence to document that the financial information uploaded and entered into the Annual Financial Report via the Indiana Gateway for Government Units financial reporting system was reviewed by another employee prior to 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:

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ANNUAL FINANCIAL REPORT

Condition and Context

The County had not established effective internal controls over the Annual Financial Report (AFR). Financial and other information is required to be entered annually into the 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 Close and Reporting

- The After Settlement Collection/Other Services fund was erroneously omitted in 2021, causing an understatement to the beginning cash and investments balance, receipts, disbursements, and ending cash and investments balance of \$910,462, \$786,016, \$910,462, and \$786,016, respectively.

COUNTY AUDITOR
OWEN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- Also in 2021, several other funds with individually immaterial errors caused in total an understatement to the beginning cash and investments balance, receipts, disbursements, and ending cash and investments balance of \$540,868, \$2,668,675, \$2,514,019, and \$695,524, respectively.
- In 2022, several funds with individually immaterial errors caused in total an overstatement to the beginning cash and investments balance, and ending cash and investments balance of \$6,644 and \$13,397, respectively, and an understatement to receipts and disbursements of \$160,215 and \$166,968, respectively.
- In 2023, several funds with individually immaterial errors caused in total an overstatement to the beginning cash and investments balance, receipts, disbursements, and ending cash and investments balance of \$77,444, \$68,616, \$47,543, and \$98,517, respectively.

Debt and Leases Schedule

- An error of omission of the Caterpillar Small Wheel Loader lease caused the annual lease payment due in 2024 to be understated by \$19,192.
- Erroneously including the interest in the principal amount due in 2024 for the Redevelopment 2012 Bond (\$69,625) and 911 Dispatch Loan (\$7,048) caused an overstatement of \$76,673 for the amount of principal due within one year.

Accounts Payable/Receivable Schedule

- An error of omission caused an understatement of Accounts Payable due at December 31, 2023, in the amount of \$1,512,530.

Adjustments were proposed, accepted by the County, and made to the entries reported in Gateway and to the financial statements and to the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, the Schedule of Leases and Debt, and the Schedule of Payables and Receivables presented as Other Information in the Financial Statements Audit Report of the County.

Criteria

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COUNTY AUDITOR
OWEN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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 as set forth in the uniform compliance guidelines. 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](#).

CONTRACTS

Condition and Context

The County had not established effective internal controls over the contracts. During the compliance test of 62 vendor disbursements, 7 of those transactions were determined to have required a contract. The County was unable to provide for audit the contract for 3 of those transactions, and 1 of the transactions did not match the amounts in the contract.

Criteria

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Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR
OWEN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

OVERDRAWN CASH BALANCES

The same comment also appeared in a management letter addressed to the County Auditor and the Board of County Commissioners for the period ending December 31, 2018, and in prior Report B58555, entitled *OVERDRAWN CASH BALANCES*.

Condition and Context

The County had not established effective internal controls over overdrawn cash balances. The County had several funds that reported negative cash balances as of December 31, as follows:

Fund	December 31, 2021	December 31, 2022	December 31, 2023
Local Health Maintenance	\$ -	\$ -	\$ 2,515
Payroll Clearing	524,528	524,463	-
Payroll Health Benefits	-	-	10,889
COVID IN Criminal Justice Inst	8,000	-	-
CAGIT Distribution	-	-	2,158
Comm Cross Grant 19	448,943	448,943	-
Court-Guardianship Program	-	-	20,118
GAL/CASA Capacity Grant	-	1,780	1,780
Stop Violence Against Women	-	3,536	3,536
Emergency Prepare 20-21	4,005	4,005	4,005
PHEP 21-22	-	14,432	14,432
Immunizations & Vaccines - COVID	-	-	600
SARS-CoV-2	-	1,817	1,817
Hazard Mitigation Grant-051734	8,114	18,290	-
EMPG COMPETITIVE GRANT	-	3,760	-
PHEP 23-24 Grant	-	-	16,128
School Liaison Program	-	-	27,143

Criteria

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COUNTY AUDITOR
OWEN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . ."

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

CONDITION OF RECORDS - RECEIPTS AND DISBURSEMENTS

A similar comment appeared in prior Report B58555, entitled *CONDITION OF RECORDS - NEGATIVE RECEIPTS AND DISBURSEMENTS*.

Condition and Context

The County had not established effective internal controls over receipts and disbursements. The County's ledgers had multiple instances of receipts and disbursements entered in error to make corrections or to reverse a transaction. This caused overstatements and understatements to be reported on the Annual Financial Report. One example of this issue was in 2022 when a loan from the Jail Housing fund to the LIT Public Safety (Sheriff) fund for \$80,000. When the paid-back amount was entered as a negative receipt and disbursement, this resulted in an understatement of receipts and disbursements each by \$80,000. Another example occurred in 2023 when \$74,251 was receipted in error into the LIT Economic Development (LIT) fund. The correction was entered as a disbursement instead of voiding the transaction. This caused an overstatement of 2023 receipts and disbursements in the amount of \$74,251.

Criteria

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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 Auditors of Indiana, Chapter 1)



February 11, 2025

Commissioners, Council Members, Departments, Residents of Owen County

Please accept this letter as a formal reply to the 2021-2023 SBOA Financial Audit given on February 11, 2025. As items were discussed during the exit conference, it was explained that while several of the findings were not for the Auditor specific, it is the way that State Code is written, and it is under my report. Yes, I feel it is very unfair as I can't control what other departments do or don't do. This was also "my" first Audit by SBOA in the four years I have been here, so definitely a learning curve to the State-Gateway System requirements. I will say that the ladies that performed the audit were very fair and helped in explaining right/wrong and the importance of the processes to provide positive outcomes.

Regarding the Financial Findings that were not entered for the monthly and annual reporting and internal controls are definitely my fault. While Gateway is a fairly simple program, understanding what is necessary and how detailed things should be seems complex at times. All items listed as omitted or understated were corrected during the audit and those are reflected in the ending balances for 12/31/2023. Learning the job as a new auditor, learning the local financial system, and the state requirements is overwhelming. Being understaffed is a burden and my staff has been awesome but overworked to say the least. The political games that have been played since elected during my first four years was an added burden as well. We have new elected officials, and I know without a doubt things will get better. (actually, already have)

I want to add, and the report shows that Absolutely—No Money is Missing!

While I'm not trying to place blame on the other Departments, I feel it is needed to clarify some of the specific findings that I have no control over.

Highway MVH Fund- Repeat Violation. We only process claims and payroll, we do not have knowledge of who/what they are paying for projects that are deemed allowable costs to meet state code for the MVH Restricted Fund.

Prosecutor Bank Statements-were not provided to the office for the required monthly reporting. This has been corrected in moving forward.

Capital Assets-Repeat Violation. This falls under the Commissioners authority. Unfortunately, we struggle with getting several departments to report and enter the required information into the system that the Commissioners and Council approved and fund annually. It is a State Requirement. Training Meetings were held, and this will be addressed again in moving forward.

Contracts-Multiple departments have/had contracts that were not provided to the auditor's office. Copies were requested during the audit, and some departments were not able to provide them.

Lastly in the Auditor Findings is "**OVERDRAWN CASH BALANCES**"

I cannot control what departments spend!

Grants are the primary funds overdrawn. This also possibly jeopardizes the departments and/or the county to continue receiving grants in the future if it is not addressed. More oversight with expenditures

will be implemented. Some have already been corrected, unfortunately this leaves the council working to pay back the funds.

The other Supplemental Reports are for the Sheriff, Health, and Commissioners.

State Required Action Plans have been submitted and accepted for all findings.

Unfortunately, due to the timing of the Audit, some of these findings could possibly be written up in the Annual 2024 Financial Report as it is closed out for the year already.

Corrective Action Plans (CAP) have been submitted to SBOA and approved/accepted. Follow up reports are required in six months. I hope to be more than happy to report that they have been implemented and followed by all departments.

I have worked endlessly, and those who know me it's usually seven days a week to help try and fix things and rebuild Owen County and will continue to do so to the best of my ability. I'm also asking for everyone to be helping to ensure things are being addressed. Communication and working together will assure that we can keep moving forward!! Please feel free to contact my office anytime 812-829-5000.

Respectfully to all!!

Sheila Reeves

Owen County Auditor

COUNTY AUDITOR
OWEN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 11, 2025, with Sheila Reeves, County Auditor; Leonard S. Hobbs, President of the Board of County Commissioners; and Polly Chesser, President of the County Council.

COUNTY SHERIFF
OWEN COUNTY

COUNTY SHERIFF
OWEN COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS - CONDITION OF RECORDS

A similar comment also appeared in prior Report B58555, entitled *INTERNAL CONTROLS - CONDITION OF RECORDS*.

Condition and Context

There were several deficiencies in the internal control system of the County Sheriff related to financial transactions and reporting. The County Sheriff had not separated incompatible activities related to cash and investments, receipts, disbursements, and financial close and reporting.

Cash and Investments

The County Sheriff had not designed or implemented internal controls, including segregation of duties, to ensure the accuracy of the monthly bank reconciliations. The individual with responsibilities for receipting and disbursing funds also performed the monthly bank reconciliations. There was no evidence of an oversight, review, or approval process to ensure their accuracy.

Inmate Trust Cash

Due to the lack of internal controls, the following errors remained undetected:

- The bank account reconciliation reported outstanding checks that dated back to 1990.
- The ledger did not report monthly or yearly totals.

Receipts

The County Sheriff had not designed or implemented internal controls, including segregation of duties, to ensure the accuracy of receipts entered into the ledgers. There was no evidence of any oversight, review, or approval process to ensure the information was accurate. In addition, the same person who is responsible for entering receipts is also responsible for entering disbursements, reconciling bank statements to the ledgers, and reporting the Supplemental Annual Financial Report to the County Auditor for inclusion in the Annual Financial Report and financial statements.

Disbursements

The County Sheriff had not designed or implemented internal controls, including segregation of duties, to ensure the accuracy of disbursements entered into the ledgers. There was no evidence of any oversight, review, or approval process to ensure the information was accurate. In addition, the same person responsible for entering disbursements is also responsible for entering receipts, reconciling bank statements to the ledgers, and reporting the Supplemental Annual Financial Report to the County Auditor for inclusion in the Annual Financial Report and financial statements.

COUNTY SHERIFF
OWEN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Financial Close and Reporting

The County Sheriff had not designed or implemented internal controls, including segregation of duties, to ensure the accuracy of the Supplemental Annual Financial Report, which is used to report the year-end totals from the County Sheriff's ledgers to the County Auditor for inclusion in the Annual Financial Report and financial statement. There was no evidence of an oversight, review, or approval process to ensure the information was accurate.

Due to the lack of internal controls, the Supplemental Annual Financial Report that was provided to the County Auditor for inclusion in the County's Annual Financial Report included beginning balances, receipts, disbursements, and ending balances from the bank statements instead of from the ledgers for the Inmate Trust fund.

Criteria

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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 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)

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 as set forth in the uniform compliance guidelines. 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 SHERIFF
OWEN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

SUPPORTING DOCUMENTATION

Condition and Context

The County had not established effective internal controls over receipts and disbursements. During receipt testing, 31 of the 55 receipts tested did not have supporting documentation to substantiate that the receipt was recorded in the correct accounting period, nor that the receipt was posted timely or at the time of transaction. Of the same 55 receipts tested, 53 did not show that the receipt was appropriately aggregated or disaggregated and clearly described as there was no supporting documentation or receipt created to show the breakdown of what was received.

During disbursement testing for the County Sheriff, 24 of the 55 disbursements tested did not have supporting documentation to substantiate that the disbursement pertained to the entity, that the disbursement was recorded appropriately (and related disclosures were appropriately measured and described), that the disbursement was appropriately aggregated or disaggregated and clearly described, or that the supporting documentation was available for examination. Of the same 55 disbursements tested, 5 were not able to be determined if the use of the funds was limited to those authorized by the enabling law or ordinance/resolution due to the lack of documentation. Of these disbursements, 1 was paying for interest charges and another of these disbursements being a donation that did not show approval by the governing board. Lastly, 1 of the disbursements tested that was recorded in 2021 should have been recorded in 2020 in the amount of \$4,140.

Additionally, 7 of the 30 disbursements tested in the Sheriff's Commissary fund lacked adequate supporting documentation to verify the funds were utilized for allowable costs.

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. . . ."

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
OWEN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 11, 2025, with Ryan T. White, County Sheriff; Mallory Martin, County Jail Matron; Sheila Reeves, County Auditor; Leonard S. Hobbs, President of the Board of County Commissioners; and Polly Chesser, President of the County Council.



COUNTY HEALTH DEPARTMENT
OWEN COUNTY

COUNTY HEALTH DEPARTMENT
OWEN COUNTY
AUDIT RESULT AND COMMENT

NEPOTISM

Condition and Context

The County had not established effective internal controls over nepotism. The Office Administrator of the County Health Department is a position responsible for, per the job description, "supervises assigned staff . . . interviewing candidates and assisting with hiring decisions, planning, delegating, and controlling work assignments, determining significant changes in responsibilities, evaluating performance results, reviewing salaries . . . maintaining discipline and recommending corrective action, and communicating and administering personnel programs." An employee working for the County Health Department is the Office Administrator's daughter, who is her direct supervisor.

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:

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COUNTY HEALTH DEPARTMENT
OWEN COUNTY
AUDIT RESULT AND COMMENT
(Continued)

Indiana Code 36-1-20.2-4(a) states:

"For the purposes of this chapter, a person in the 'direct line of supervision' of an elected officer or employee if the elected officer or employee is in a position to affect the terms and conditions of the individual's employment, including making decisions about work assignments, compensation, grievances, advancement, or performance evaluation."

Indiana Code 36-1-20.2-8(a) states:

"As used in this chapter, "relative" means any of the following:

- (1) A spouse.
- (2) A parent or stepparent.
- (3) A child or stepchild.
- (4) A brother, sister, stepbrother, or stepsister.
- (5) A niece or nephew.
- (6) An aunt or uncle.
- (7) A daughter-in-law or son-in-law . . ."

Indiana Code 36-1-20.2-10 states: "Individuals who are relatives may not be employed by a unit in a position that results in one (1) relative being in the direct line of supervision of the other relative."

COUNTY HEALTH DEPARTMENT
OWEN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 11, 2025, with Christine McBride, County Health Department Office Administrator; Sheila Reeves, County Auditor; Leonard S. Hobbs, President of the Board of County Commissioners; and Polly Chesser, President of the County Council.

BOARD OF COUNTY COMMISSIONERS
OWEN COUNTY

BOARD OF COUNTY COMMISSIONERS
OWEN COUNTY
AUDIT RESULT AND COMMENT

INDEBTEDNESS

A similar comment appeared in prior Report B58555, entitled *INDEBTEDNESS*.

Condition and Context

The County had not established effective internal controls over indebtedness. The County entered into a loan with the First National Bank for the 911 dispatch center. The loan of \$750,000 was to be repaid over a period of seven years. Loan repayment terms should not exceed five years.

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. . . ."

A unit may not incur indebtedness unless specifically allowed by law. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

BOARD OF COUNTY COMMISSIONERS
OWEN COUNTY
AUDIT RESULT AND COMMENT
(Continued)

Indiana Code 36-2-6-18 states in part:

"(a) The county fiscal body may, by ordinance:

- (1) make loans for the purpose of procuring money to be used in the exercise of county powers and for the payment of county debts other than current running expenses, and, subject to [IC 5-1-11.5](#) and [IC 5-11-1-4\(c\)](#), issue bonds or other county obligations to refund those loans; . . .

(d) The county fiscal body may, by ordinance, make loans of money for not more than five (5) years and issue notes for the purpose of refunding those loans. The loans may be made only for the purpose of procuring money to be used in the exercise of the powers of the county, and the total amount of outstanding loans under this subsection may not exceed five percent (5%) of the county's total tax levy in the current year (excluding amounts levied to pay debt service and lease rentals). Loans under this subsection shall be made in the same manner as loans made under subsection (a)(1), except that:

- (1) the ordinance authorizing the loans must pledge to their payment a sufficient amount of tax revenues over the ensuing five (5) years to provide for refunding the loans;
- (2) the loans must be evidenced by notes of the county in terms designating the nature of the consideration, the time and place payable, and the revenues out of which they will be payable; and
- (3) the interest accruing on the notes to the date of maturity may be added to and included in their face value or be made payable periodically, as provided in the ordinance.

Notes issued under this subsection are not bonded indebtedness for purposes of [IC 6-1.1-18.5](#).

(e) If a deficit is incurred for the current running expenses of the county because the total of county revenues for the fiscal year is less than the anticipated total, the county fiscal body shall provide for the deficit in the next county tax levy."

BOARD OF COUNTY COMMISSIONERS
OWEN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 11, 2025, with Sheila Reeves, County Auditor; Leonard S. Hobbs, President of the Board of County Commissioners; and Polly Chesser, President of the County Council.