

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

VERMILLION COUNTY, INDIANA

January 1, 2023 to December 31, 2023





## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
County Auditor:	
Audit Results and Comments:	
Capital Assets .....	6
Certification on Internal Control Standards .....	6-7
Motor Vehicle Highway (MVH) - Restricted Fund .....	7-8
Exit Conference .....	9
Board of County Commissioners:	
Audit Result and Comment:	
Training on Internal Control Standards .....	12
Exit Conference .....	13
County Sheriff:	
Audit Result and Comment:	
Condition of Records.....	16-17
Exit Conference .....	18

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Brenda J. Furry	01-01-23 to 12-31-24
County Treasurer	Florinda A. Pruitt	01-01-23 to 12-31-24
Clerk of the Circuit Court	Gracie York Tami Lowry	01-01-23 to 10-14-23 10-15-23 to 12-31-24
County Sheriff	Michael Holtkamp	01-01-23 to 12-31-24
County Recorder	Jennifer Peebles	01-01-23 to 12-31-24
President of the Board of County Commissioners	Tim Yocum	01-01-23 to 12-31-24
President of the County Council	Ashley James	01-01-23 to 12-31-24



**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, 2023 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 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/](http://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

August 7, 2024

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COUNTY AUDITOR  
VERMILLION COUNTY

COUNTY AUDITOR  
VERMILLION COUNTY  
AUDIT RESULTS AND COMMENTS

**CAPITAL ASSETS**

The same comment also appeared in prior Report 000001015S.

*Condition and Context*

Internal controls were not in place to ensure accurate recordkeeping and inventory of the County's capital assets. The County provided detailed subsidiary records of its capital assets for audit; however, 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. Our testing disclosed one asset purchased in 2023 that was not recorded on the detailed listing.

*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)

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)

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. . . ."

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

The same comment also appeared in prior Report 000001015S.

COUNTY AUDITOR  
VERMILLION COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Condition and Context*

The County Auditor incorrectly certified in the Indiana Gateway for Government Units financial reporting system that all required County personnel had received training concerning the internal control standards as required by Indiana Code 5-11-1-27(g). The certification was made incorrectly, as not all required personnel received training on internal control standards. Of the 14 employees tested, 7 had not received training.

*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 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](#)."

**MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND**

The same comment also appeared in prior Report 000001015S.

*Condition and Context*

Internal controls were not in place to ensure compliance with State Examiner Directive 2018-2 (Directive) regarding disbursements from the MVH Restricted sub-fund.

A test of 10 disbursements paid from the MVH Restricted fund was performed. There were 3 of the disbursements tested (30 percent), that were for Highway Department employee payroll and payroll-related benefits without adequate documentation to support that the payments were for the construction, reconstruction, or preservation of the County's highways, as required. In addition, one of the disbursements tested (10 percent) was for road maintenance (tree removal) services. Per the Directive: "Maintenance expenditures no longer count toward the 50% requirement . . ."

In addition, 2 of the 13 payroll disbursements tested (15 percent) were paid from the MVH Restricted fund. The supporting documentation provided did not specify that these payroll disbursements were for the construction, reconstruction, or preservation of the County's highways, as required.

Additional inspection of payroll records and inquiry with County officials determined that Highway Department Assistant Supervisors and Truck Drivers were paid half of their hourly pay and benefits from the MVH Restricted fund during the audit period without any documented rationale or independent calculations provided for audit to support that these payroll-related expenditures were for the construction, reconstruction, or preservation of the County's highways.

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.

COUNTY AUDITOR  
VERMILLION COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

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. . . .

***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.

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)

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 AUDITOR  
VERMILLION COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 7, 2024, with Brenda J. Furry, County Auditor; Britton Luther, County Commissioner; RJ Dunavan, 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**

The same comment also appeared in prior Report 000001015S.

*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.

Of the 14 employees hired in 2023 that were selected for testing, 6 County Sheriff's Department employees (Jailers & Deputies) and 1 part-time County Treasurer's office employee, who would have been required to take the training, did not have a signed training certification presented for audit.

*Criteria*

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

BOARD OF COUNTY COMMISSIONERS  
VERMILLION COUNTY  
EXIT CONFERENCE

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COUNTY SHERIFF  
VERMILLION COUNTY

COUNTY SHERIFF  
VERMILLION COUNTY  
AUDIT RESULT AND COMMENT

**CONDITION OF RECORDS**

*Condition and Context*

Internal controls were not in place to ensure the County Sheriff's Department bank accounts reconciled to its general ledgers. A combined bank account reconciliation of the Sheriff Commissary, Sheriff Inmate Trust, Sheriff Evidence, and Sheriff's Trust funds and related depository accounts was performed. As of December 31, 2023, the ledger showed \$3,452 more than the amount shown in the bank.

Additionally, the County Sheriff's Department year-end reconciliations contained outstanding checks more than two years old totaling \$1,344, and deposits in transit totaling \$649 listed as reconciling items that were from 2016. Deposits in transit should clear in the month following the month in which they originally appeared.

*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 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void. . . ."

Indiana Code 5-11-10.5-3 states:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the:

- (1) board of finance of the political subdivision; or
- (2) fiscal body of a city or town.

The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

COUNTY SHERIFF  
VERMILLION COUNTY  
AUDIT RESULT AND COMMENT  
(Continued)

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision. However, in the case of a school corporation, the warrant or check shall be receipted into the operations fund."

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)

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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