

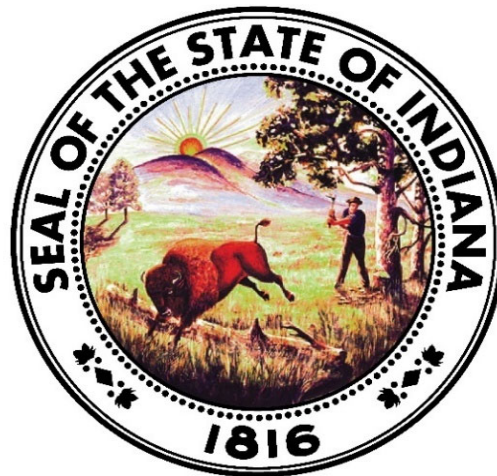
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT

OF

PERRY COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED
09/27/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Kristinia Hammack	01-01-23 to 12-31-24
County Treasurer	Amanda F. Lasher	01-01-23 to 12-31-24
Clerk of the Circuit Court	Rachael K. Roark	01-01-23 to 12-31-24
County Sheriff	Alan D. Malone	01-01-23 to 12-31-24
County Recorder	Jane James	01-01-23 to 12-31-24
President of the Board of County Commissioners	Randall Cole	01-01-23 to 12-31-24
President of the County Council	David A. Etienne	01-01-23 to 12-31-24
President of the County Board of Health	Kelly Conner	01-01-23 to 12-31-24



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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TO: THE OFFICIALS OF PERRY COUNTY, INDIANA

This report is supplemental to the audit report of Perry 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/.

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

September 12, 2024

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COUNTY AUDITOR
PERRY COUNTY

COUNTY AUDITOR
PERRY COUNTY
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

A similar comment appeared in a Management Letter addressed to the Officials of the County for the audit period ending December 31, 2022.

Condition and Context

The County had not established effective internal controls over financial information entered in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the County's financial statement.

Although the County Auditor reviewed and approved the information compiled by an outside consultant contracted by the County to prepare the Annual Financial Report (AFR) prior to submission on Gateway, the internal control was not effective and did not detect and allow correction of errors prior to submission.

Due to the lack of effective internal controls, the financial information entered into Gateway was inaccurate and contained material errors. Financial activity and the related cash balances for bond issue funds held by the trustee were not included in amounts reported on the AFR.

As a result of these omissions, the following amounts were misstated:

Beginning Cash and Investments	\$ 1,281,416
Receipts	1,359,767
Disbursements	<u>1,437,458</u>
Ending Cash and Investments	<u>\$ 1,203,725</u>

Adjustments were proposed, accepted by the County, and made to the financial statement and the Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statement Audit Report of the County.

The capital assets, grant schedule, payables and receivables, and leases and debt information entered into Gateway contained the following errors:

Capital Assets

Amounts reported on the Schedule of Capital Assets did not include amounts expended for land and infrastructure improvements incurred in 2023. Land improvement costs totaling \$936,500 expended by the Redevelopment Commission in 2023 for a real estate development project and expenditures totaling \$1,507,479 incurred by the County for major road renovation projects were not included in the amounts reported on the schedule. The County has determined that the Schedule of Capital Assets will not be presented as Other Information in the Financial Statement Audit Report of the County.

Grants Schedule

The Schedule of Expenditures of Federal Awards (SEFA) presented for audit included the following errors:

- The Highway Planning and Construction program expenditures were overstated by \$1,085,665.

COUNTY AUDITOR
PERRY COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- The Child Support Services program expenditures were understated by \$172,521.
- The Enhance Safety of Children Affected by Substance Abuse program expenditures were overstated \$427,049.
- The Homeland Security Grant Program expenditures were overstated by \$48,751.
- Five additional federal grants had individually immaterial errors that resulted in misstatements of expenditures of \$117,825 in total. Two programs that were direct grants were incorrectly reported with state pass-through agencies.
- Other errors included incorrect pass-through entities and project titles.

The SEFA presented in the Federal Compliance Audit Report of the County is compiled based upon the information included in the grant schedule. Therefore, the errors described above also appeared in the SEFA. Audit adjustments were proposed, accepted by the County, and made to the SEFA.

Payables and Receivables

No amounts were reported in Gateway for accounts payable or receivables for the County. The County has determined that the Schedule of Payables and Receivables will not be presented as Other Information in the Financial Statement Audit Report of the County.

Leases and Debt

Amounts were reported for two leases, three bond issues, and two notes that had either been previously retired, were attributable to other governmental units, or were determined to not exist. The incorrect ending principal balance was reported for one bond issue, and a \$600,000 distressed road loan from the Indiana Department of Transportation was omitted from the schedule. As a result of these errors, Annual Lease Payments were overstated by \$2,674,000, Principal Due Within One Year was overstated by \$178,000, and Ending Principal Balances were overstated by a total of \$4,567,000.

An adjustment was proposed, accepted by the County, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report of the County.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, Uniform Internal Control Standards for Indiana Political Subdivisions. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

COUNTY AUDITOR
PERRY 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](#)."

CAPITAL ASSETS

Condition and Context

The County did not have internal controls in place to ensure compliance with laws and regulations related to capital assets. The County did not provide evidence that a physical inventory was conducted during the audit period. In addition, the capital asset ledger did not appear to have been updated during the audit period.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, 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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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. . . ."

COUNTY AUDITOR
PERRY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 12, 2024, with Kristinia Hammack, County Auditor; Randall Cole, President of the Board of County Commissioners; Rebecca Thorn, County Commissioner; David Etienne, President of the County Council; Kelli Harding, County Council member; Keith Huck, County Council member; Gale Garner, County Council member; Paul Malone, County Council member; Kelli Wilgus, Payroll/HR Admin; Nichole Senn, Deputy County Auditor; Leisa M. Eckler, Deputy County Auditor; and Kimberly Lasher, Deputy County Auditor.

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COUNTY TREASURER
PERRY COUNTY

COUNTY TREASURER
PERRY COUNTY
AUDIT RESULT AND COMMENT

BANK RECONCILIATIONS

Condition and Context

Internal control deficiencies resulted in noncompliance over the County Treasurer's bank reconciliations. The bank reconciliation was being performed each month; however, the December 31, 2023 County Treasurer's Wealth Management Bank Reconciliation had unposted transactions totaling \$63,297. This resulted in the ending cash and investments balances on the County's financial statement being understated by this amount.

The bond issue funds, totaling \$1,203,725, held by Old National Bank as Trustee, were not recorded on the County Auditor's ledger and were not included in the County Treasurer's bank reconciliation.

In addition, there were several adjustments, totaling \$57,919, that had not been resolved and removed from the monthly bank reconciliations in a timely manner, many resulting from the conversion to the LOW computer system in April of 2022.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Indiana Code 5-13-6-1(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 TREASURER
PERRY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 12, 2024, with Amanda F. Lasher, County Treasurer; Randall Cole, President of the Board of County Commissioners; Rebecca Thorn, County Commissioner; David Etienne, President of the County Council; Kelli Harding, County Council member; Keith Huck, County Council member; Gale Garner, County Council member; Paul Malone, County Council member; and Dawn H. Baumeister, First Deputy County Treasurer.

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COUNTY COUNCIL
PERRY COUNTY

COUNTY COUNCIL
PERRY COUNTY
AUDIT RESULT AND COMMENT

**CONFLICT OF INTEREST - COUNTY COUNCIL MEMBER
DISCLOSURE OF RELATED-PARTY TRANSACTION**

Condition and Context

It was identified that the County's Emergency Management Agency (EMA) entered into a transaction with Perry County Garage Doors for the purchase of a generator. Perry County Garage Doors is owned by Keith Huck (Huck), County Council member. Huck is considered a "public servant" as defined in Indiana Code 35-31.5-2-261.

Based upon the circumstances, the Indiana State Board of Accounts (SBOA) would expect a conflict of interest disclosure for this transaction to be filed. However, there was no evidence to support that a conflict of interest disclosure was filed with the SBOA or the Clerk of the Circuit Court during the audit period that covered these matters. The transaction in 2023 totaled \$8,650 to Perry County Garage Doors.

Criteria

Indiana Code 35-44.1-1-4(d) states in part:

"A disclosure must:

- (1) be in writing;
- (2) describe the contract or purchase to be made by the governmental entity;
- (3) describe the pecuniary interest that the public servant has in the contract or purchase;
- (4) be affirmed under penalty of perjury;
- (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity before final action on the contract or purchase;
- (6) be filed within fifteen (15) days after final action on the contract or purchase with:
 - (A) the state board of accounts; and
 - (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."

Conflict of interest disclosures must be completed on Gateway.

The attorney for the unit or a private attorney must be consulted in regard to whether a conflict of interest disclosure statement must be filed and whether the format of the disclosure is sufficient.

(Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY COUNCIL
PERRY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 12, 2024, with Randall Cole, President of the Board of County Commissioners; Rebecca Thorn, County Commissioner; David Etienne, President of the County Council; Kelli Harding, County Council member; Keith Huck, County Council member; Gale Garner, County Council member; and Paul Malone, County Council member.

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COUNTY BOARD OF HEALTH
PERRY COUNTY

COUNTY BOARD OF HEALTH
PERRY COUNTY
AUDIT RESULT AND COMMENT

**CONFLICT OF INTEREST - COUNTY HEALTH BOARD MEMBER
DISCLOSURE OF RELATED-PARTY TRANSACTION**

Condition and Context

It was identified that the County Health Department entered into transactions for Health Department advertising on an electronic billboard with Complete Wellness, Inc. Complete Wellness, Inc. is owned by Dr. Adam Brockman (Dr. Brockman), County Board of Health member. Dr. Brockman is considered a "public servant" per Indiana Code 35-31.5-2-261.

Based upon the circumstances, the Indiana State Board of Accounts (SBOA) would expect a conflict of interest disclosure for these transactions to be filed. However, there was no evidence to support a conflict of interest disclosure was filed with the SBOA or the Clerk of the Circuit Court during the audit period that covered these matters. The transactions in 2023 totaled \$3,860 to Complete Wellness, Inc.

Criteria

Indiana Code 35-44.1-1-4(d) states in part:

"A disclosure must:

- (1) be in writing;
- (2) describe the contract or purchase to be made by the governmental entity;
- (3) describe the pecuniary interest that the public servant has in the contract or purchase;
- (4) be affirmed under penalty of perjury;
- (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity before final action on the contract or purchase;
- (6) be filed within fifteen (15) days after final action on the contract or purchase with:
 - (A) the state board of accounts; and
 - (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."

Indiana Code 16-20-2-13 states: "An individual who has a vested interest or stands to gain financially from any activity of the local health department or a policy decision of the board is ineligible to serve on a local health board."

Conflict of interest disclosures must be uploaded to Gateway.

The attorney for the unit or a private attorney must be consulted in regard to whether a conflict of interest disclosure statement must be filed and whether the format of the disclosure is sufficient.

(Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Complete Wellness, Inc.
602 Main Street
Tell City IN 47586

OFFICIAL RESPONSE

Date: 9/13/2024

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

Re: CONFLICT OF INTEREST

Dear Board:

This letter is in response to the allegation that I, a Perry County Health Board member, have a conflict of interest regarding advertisement, solicited and paid for by the Perry County Health Department. The allegation was made without knowledge and understanding of all facts.

Perry County Health Department began advertising on an electronic billboard in Tell City in 2023. The billboard is located on the property of the corporate offices of Complete Wellness, Inc. I am the owner of Complete Wellness, Inc. and the property. The billboard is managed by another business and individual, the same company that erected the sign. I do not have an ownership interest in the sign company. The sign company does the day-to-day operations without any direction, control or individual participation by me or any employee of mine. Complete Wellness had no involvement with or contracting with the Health Department for advertising. All communication regarding the matter would have been directly through the sign company.

As a board member, I do not oversee day-to-day operations and decision making of the Health Department. The operations of the Health Department are through management and employees of the Health Department. As a board member, I have not voted, considered, directed or had any dealings with the Health Department and decisions to advertise and/or market Health Department related programs.

I am, however, aware of the record number of immunizations and screenings the Perry County Health Department has done over the last year, much of which can be attributed to the community awareness made as a result of the billboard.

Further, this is the only electronic billboard in our county. It is a disservice to our community to not allow the Health Department to advertise on the billboard because it might be considered a conflict of interest. It is not that multiple bids were placed and this spot was selected over other spots, it is the only spot available for this type of advertising. The funds used to advertise did not cost Perry County anything, the funds were grants allotted for community awareness, and that is exactly what was accomplished with the billboard.

Again, I was unaware that the sign was being used by the health department prior to contracting for advertising services. The advertising was never placed as an issue or brought to the board to disclose a potential conflict, if any, just like all other day to day operation expenses of the Health Department.

I am an unpaid member of the Perry County Health Board. I do not receive any financial benefit or interest from the position as a board member. My services are simply gratuitous and for the benefit of the health community. I did not gain financially from the advertising on the billboard and as a result of this action by the Perry County Commissioners and the Indiana State Board of Accounts, the end result is our community's health suffers from the lack of awareness of immunizations, screenings, and health related events that was previously on the electronic billboard.

Finally, this is NOT a conflict of interest with myself because any contract entered for advertising has nothing to do with my healthcare business, the contract was not entered by myself, and the contract was entered without my knowledge.

Regards,



Adam Brockman,
Complete Wellness, Inc.

COUNTY BOARD OF HEALTH
PERRY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 12, 2024, with Dr. Adam Brockman, County Board of Health member; Randall Cole, President of the Board of County Commissioners; Rebecca Thorn, County Commissioner; David Etienne, President of the County Council; Kelli Harding, County Council member; Keith Huck, County Council member; Gale Garner, County Council member; and Paul Malone, County Council member.