

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

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ORANGE COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED
12/26/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
County Auditor:	
Audit Results and Comments:	
Internal Controls	6
Annual Financial Report	6-7
Motor Vehicle Highway (MVH) - Restricted Fund	7
Certification on Internal Control Standards	7
Exit Conference	8
Board of County Commissioners:	
Audit Result and Comment:	
Training on Internal Control Standards	10
Exit Conference	11

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Lonnie Stroud Sandy Hill	01-01-23 to 04-02-24 04-03-24 to 12-31-24
County Treasurer	Shelley Hammack	01-01-23 to 12-31-24
Clerk of the Circuit Court	Elizabeth J. Jones	01-01-23 to 12-31-24
County Sheriff	David Henderson III	01-01-23 to 12-31-24
County Recorder	Sandy Hill Heather Henderson (acting) Heather Henderson	01-01-23 to 04-02-24 04-03-24 to 04-14-24 04-15-24 to 12-31-24
President of the Board of County Commissioners	Richard W. Dixon	01-01-23 to 12-31-24
President of the County Council	Jack Hinkle Catherine Henderson	01-01-23 to 12-31-23 01-01-24 to 12-31-24



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INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF ORANGE COUNTY, INDIANA

This report is supplemental to the audit report of Orange 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

December 10, 2024



COUNTY AUDITOR
ORANGE COUNTY

COUNTY AUDITOR
ORANGE COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

Internal controls were not in place to ensure that the County complied with laws, regulations, and uniform compliance guidelines. Internal control deficiencies resulted in noncompliance over the following areas and are detailed further in the comments below:

- Annual Financial Report
- Motor Vehicle Highway (MVH) - Restricted Fund
- Certification on Internal Control Standards

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. . . ."

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 Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units financial reporting system. The County entered the information as required; however, the following errors were identified in the other information reported in the AFR:

COUNTY AUDITOR
ORANGE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Accounts Payable and Accounts Receivable

The County did not provide detailed records which supported the \$2,149,837 of accounts payable reported in the AFR as of December 31, 2023. In addition, the County did not report an amount for accounts receivables. Therefore, we were unable to determine the accuracy of the information. The financial reporting framework utilized by the County includes the option to present a Schedule of Payables and Receivables as Other Information in the Financial Statement Audit Report of the County. The County elected not to present this schedule.

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

Condition and Context

Four of the ten claims tested from the MVH Restricted fund were payroll transactions. Supporting documentation was not presented to determine if the payroll expenses were for construction, reconstruction, or preservation of the County's highways.

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."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The County certified in its 2023 Annual Financial Report that all required personnel had received training on internal controls. However, there was one new hire in the County Auditor's office that had not received the required training on internal controls.

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](#)."

COUNTY AUDITOR
ORANGE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 10, 2024, with Sandy Hill, County Auditor; Lonnie Stroud, former County Auditor; Catherine Henderson, President of the County Council; Zachary Brown, County Council member; Richard W. Dixon, President of the Board of County Commissioners; and Steve Hopper, County Commissioner.

BOARD OF COUNTY COMMISSIONERS
ORANGE COUNTY

BOARD OF COUNTY COMMISSIONERS
ORANGE COUNTY
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

Internal controls were not in place to ensure that all required employees received training on internal control standards. One new employee in the County Auditor's office, 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.

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 5-11-1-27(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
ORANGE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 10, 2024, with Sandy Hill, County Auditor; Lonnie Stroud, former County Auditor; Catherine Henderson, President of the County Council; Zachary Brown, County Council member; Richard W. Dixon, President of the Board of County Commissioners; and Steve Hopper, County Commissioner.