

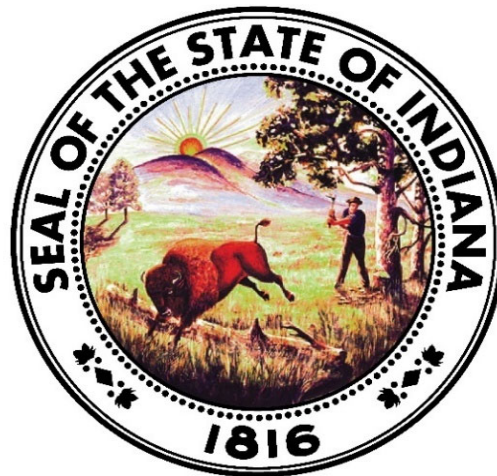
**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

SUPPLEMENTAL COMPLIANCE REPORT

OF

LAWRENCE COUNTY, INDIANA

January 1, 2023 to December 31, 2023



**FILED**  
09/25/2024



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## SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Jessica Staggs (Vacant) Paula R. Stewart	01-01-23 to 12-31-23 01-01-24 to 01-07-24 01-08-24 to 12-31-24
County Treasurer	Jody Edwards	01-01-23 to 12-31-24
Clerk of the Circuit Court	Billie Turney Amy Voorhies (interim) Amy Voorhies	01-01-23 to 02-10-23 02-11-23 to 02-15-23 02-16-23 to 12-31-24
County Sheriff	Greg Day	01-01-23 to 12-31-24
County Recorder	Jessica Allen	01-01-23 to 12-31-24
President of the Board of County Commissioners	Dustin Gabhart Wallace Branham	01-01-23 to 12-31-23 01-01-24 to 12-31-24
President of the County Council	Jeffrey J. Lytton	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

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF LAWRENCE COUNTY, INDIANA

This report is supplemental to the audit report of Lawrence 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.

Beth Kelley, CPA, CFE  
Deputy State Examiner

September 10, 2024

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COUNTY AUDITOR  
LAWRENCE COUNTY

COUNTY AUDITOR  
LAWRENCE COUNTY  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

*Condition and Context*

Deficiencies in internal control resulted in noncompliance regarding correction of errors and incorrect financial statement reporting, late payment to state comptroller, supporting documentation, and capital assets as discussed further in the comments below.

*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. . . . "

**CORRECTION OF ERRORS AND INCORRECT FINANCIAL STATEMENT REPORTING**

*Condition and Context*

The County posted receipts to incorrect funds in 2022. The County's system of internal control did not detect the errors in a timely manner to allow for correction. The County voided the original transactions and posted the receipts to the correct funds in 2023, resulting in negative receipts in the 2023 ledger. When the County Auditor submitted the 2023 Annual Financial Report in the Indiana Gateway for Government Units financial reporting system, the negative receipts were entered as disbursements, thereby overstating both receipts and disbursements in the 2023 financial statement presented for audit.

*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  
LAWRENCE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

### **LATE PAYMENT TO STATE COMPTROLLER**

#### *Condition and Context*

The County was responsible for submitting timely payments to the Treasurer of State immediately after each semiannual settlement. The County did not disburse the money due from the December 2023 settlement, totaling \$784,330, until January 17, 2024, which was 17 days past the due date.

#### *Criteria*

Indiana Code 6-1.1-27-3 states:

"Immediately after each semi-annual settlement, the county auditor shall send a copy of the certificate of settlement and a statement of the distribution of the taxes collected to the state comptroller. The state comptroller shall, when the certificate of settlement and statement of the distribution of the taxes collected have been finalized, forward the certificate and statement to the department of local government finance for purposes of validating the abstract required by [IC 6-1.1-22-5](#). On or before June 30 and December 31 of each year, the county treasurer shall pay to the state treasurer the money due the state as shown by the certificate of settlement."

### **SUPPORTING DOCUMENTATION**

#### *Condition and Context*

The County paid 12 credit card claims during the audit period. All 12 claims were selected for testing, and all 12 lacked proper supporting documentation. Each claim included amounts that were paid based upon the credit card statement only without an invoice and bill to substantiate the claim.

The County Aviation Department (Department) also had a credit card, separate from the County's card, that was used for airport-specific purchases. Two paid claims for the aviation credit card were selected for testing as part of a sample of disbursements. Both claims were paid based solely upon the credit card statement. The Department maintained all supporting documentation for the claims but did not submit the documentation with the claims to the County Auditor for payment of the claim.

COUNTY AUDITOR  
LAWRENCE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

The SBOA will not take exception to the use of credit cards by a unit provided the following criteria are observed:

1. The governing body must authorize credit card use through an ordinance/resolution, which has been approved in a meeting and documented in the minutes.
2. Issuance and use should be handled by an official or employee designated by the governing body.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Credit cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee may be the personal obligation of the responsible officer or employee.

COUNTY AUDITOR  
LAWRENCE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

8. If authorized, an annual fee may be paid.

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

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 County Auditors of Indiana, Chapter 1)

### **CAPITAL ASSETS**

#### *Condition and Context*

The County provided capital asset listings maintained by each department for review, but the listings were inadequate as they did not include the asset category for reporting purposes. The County did not maintain a comprehensive detailed listing of all capital assets owned by the County to support the amounts reported for capital assets in the Indiana Gateway for Government Units financial reporting system as of December 31, 2023. The County reported total capital assets at December 31, 2023, in the amount of \$212,359,881. The County chose to omit the Schedule of Capital Assets from the Financial Statement Audit Report of the County.

#### *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)

COUNTY AUDITOR  
LAWRENCE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 10, 2024, with Paula R. Stewart, County Auditor; Wallace Branham, President of the Board of County Commissioners; Rodney Fish, County Commissioner; Jeffrey J. Lytton, President of the County Council; Amy Redman, County Council member; Phil Inman, County Council member; Rick Butterfield, County Council member; Janie Craig Chenault, County Council member; Michelle Younger, Deputy County Auditor; and Martha L. Turner, Bookkeeper.

COUNTY TREASURER  
LAWRENCE COUNTY

COUNTY TREASURER  
LAWRENCE COUNTY  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

*Condition and Context*

Deficiencies in internal control resulted in the noncompliance regarding condition of records and bank account reconciliations as discussed further in the comments below.

*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. . . ."

**CONDITION OF RECORDS**

*Condition and Context*

The County Treasurer (Treasurer) performed monthly reconciliations of the bank and funds ledger balances, prepared a Monthly Financial Statement, County Form No. 61 (Form 61), and maintained a Cash Book as required. The Treasurer, however, did not reconcile the month-end balance per the Cash Book to the balances per the funds ledger and Form 61. As a result, the Cash Book balance at December 31, 2023, was \$677,991 and \$859,864 less than the balances per the funds ledger and Form 61, respectively.

COUNTY TREASURER  
LAWRENCE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

Indiana Code 5-13-5-1(a) states:

"Every public officer who receives or distributes public funds shall:

- (1) keep a cashbook into which the public officer shall enter daily, by item, all receipts of public funds; and
- (2) balance the cashbook daily to show funds on hand at the close of each day."

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 County Treasurers of Indiana, Chapter 1)

**BANK ACCOUNT RECONCILIATIONS**

*Condition and Context*

Beginning with July 2023, the County Treasurer did not include the County's investments accounts in the monthly reconciliations of the bank balance to the funds ledger balance. The December 2023 reconciliation did not include as reconciling items \$80,795 of receipts posted to the bank accounts but had not been posted to the ledger as of year end. The reconciled bank balance was \$37,583 more than the funds ledger balance at December 31, 2023.

*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."

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LAWRENCE COUNTY TREASURER

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916 15<sup>TH</sup> Street Room 27

Bedford, IN 47421

812-275-2431

Thursday, September 12, 2024

RE: Official Response

State Board of Accounts

302 West Washington Street

Room #418

Indianapolis, IN 46204-2765

In response to Audit Results from 2023 Lawrence County Audit, I would like to comment on the Cashbook, Bank Statements and Form 61 reconcilements. I agree that there was a discrepancy in the balances, however I would also state that this was to no fault of the Treasurer's Office. The Auditor's Office did not perform Property Tax Settlement timely, and therefore the Treasurer's Office could not balance to a ledger that was not posted on the correct date. The Auditor's Office completed work in 2024, and backdated it to December 2023. There was no way for the Treasurer to balance to the Auditor in these circumstances.

Thank you,



Jody Edwards

Lawrence County Treasurer

COUNTY TREASURER  
LAWRENCE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 10, 2024, with Jody Edwards, County Treasurer; Wallace Branham, President of the Board of County Commissioners; Rodney Fish, County Commissioner; Jeffrey J. Lytton, President of the County Council; Amy Redman, County Council member; Phil Inman, County Council member; Rick Butterfield, County Council member; Janie Craig Chenault, County Council member; and Penny Cobb, Deputy County Treasurer.