

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

STEUBEN COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED

09/26/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
County Auditor :	
Audit Results and Comments:	
Internal Controls - Compliance	6
Annual Financial Report - Other Information	6-7
Compensation and Benefits	7-8
Exit Conference	9
County Treasurer:	
Audit Results and Comments:	
Internal Controls - Compliance	12
Timely Recording	12-13
Failure to Report Misappropriation of Funds	13
Exit Conference	14
Board of County Commissioners:	
Audit Results and Comments:	
Internal Controls - Compliance	16
Compensation and Benefits	16-17
Conflict of Interest	18
Exit Conference	19

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Kelli Johnson	01-01-23 to 12-31-24
County Treasurer	Melissa Bixler	01-01-23 to 12-31-24
Clerk of the Circuit Court	Tangi Manahan	01-01-23 to 12-31-24
County Sheriff	Rodney L. Robinson	01-01-23 to 12-31-24
County Recorder	Dani Parrish	01-01-23 to 12-31-24
President of the Board of County Commissioners	Wil Howard	01-01-23 to 12-31-24
President of the County Council	Richard Shipe Dan Caruso	01-01-23 to 12-31-23 01-01-24 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF STEUBEN COUNTY, INDIANA

This report is supplemental to the audit report of Steuben 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 16, 2024

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COUNTY AUDITOR
STEUBEN COUNTY

COUNTY AUDITOR
STEUBEN COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS - COMPLIANCE

Condition and Context

Internal control deficiencies resulted in the noncompliance over:

- Annual Financial Report - Other Information
- Compensation and Benefits

These internal control deficiencies are further detailed 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. . . ."

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The County had not established effective internal controls to ensure the accuracy of the AFR information entered into Gateway, which resulted in the following errors:

Schedule of Payables and Receivables

The County did not report accurate amounts for accounts payables and receivables, nor did it maintain supporting documentation for payables and receivables. As a result, the County approved the omission of the Schedule of Payables and Receivables from the Financial Statement Audit Report of the County.

COUNTY AUDITOR
STEUBEN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Schedule of Capital Assets

The Schedule of Capital Assets was overstated by \$2,621,446.

Audit adjustments were proposed, accepted by the County, and made to the Schedule of Capital Assets presented as Other Information in the Financial Statement Audit Report of the County.

Schedule of Leases and Debt

The Judicial Center Lease Rental Revenue Bonds were incorrectly classified as a debt instead of a lease, resulting in Revenue Bonds ending principal balance overstatement of \$28,805,000.

Audit adjustments were proposed, accepted by the County, and made to the Schedule of Leases and Debt in the Financial Statement Audit Report of the County.

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](#)."

COMPENSATION AND BENEFITS

Condition and Context

The County passed ordinance #986, 2023 Salary Ordinance, on November 9, 2022, which included an appreciation bonus of \$1,000 to elected officials as specified in the ordinance. The County paid a \$1,000 appreciation bonus to the County Surveyor who was not included as a specified elected official in the original salary ordinance.

Criteria

Indiana Code 36-2-5-13 states:

"(a) As used in this section, 'compensation' means the total of all money paid to, or on behalf of, an elected county officer for performing duties as an elected county officer, regardless of the source of funds from which the money is paid. The term includes all employee benefits paid to an elected county officer, including life insurance, health insurance, disability insurance, retirement benefits, and pension benefits. For purposes of determining an increase or decrease in compensation of an elected county officer, the term does not include any of the following:

- (1) Payment of an insurance premium.
- (2) Payments in recognition of:

COUNTY AUDITOR
STEUBEN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

(A) longevity;

(B) professional certifications; or

(C) educational advancements; that are separately identified on a salary ordinance or resolution.

(3) Payment of a stipend or per diem allowed by statute.

(b) Compensation shall be established using an annual, monthly, or biweekly salary schedule. An elected county officer is not required to report hours worked and may not be compensated based on the number of hours worked.

(c) Except as provided in subsection (d), the compensation of an elected county officer may not be changed in the year for which it is fixed. The compensation of other county officers, deputies, and employees or the number of each may be changed at any time on:

(1) the application of the county fiscal body or the affected officer, department, commission, or agency; and

(2) a majority vote of the county fiscal body.

(d) In the year in which a newly elected county officer takes office, the county fiscal body may at any time change the compensation for holding the county office for that year if:

(1) the county officer requests the compensation change or, in the case of the county executive body, a majority of the county executive body requests the change; and

(2) the county fiscal body votes to approve the change."

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR
STEUBEN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 16, 2024, with Kelli Johnson, County Auditor; Melissa Bixler, County Treasurer; Ann Brant, Chief Deputy County Auditor; Kenneth Shelton, County Commissioner; Andy Laughlin, County Commissioner; and Richard Shipe, County Council member.

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COUNTY TREASURER
STEUBEN COUNTY

COUNTY TREASURER
STEUBEN COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS - COMPLIANCE

Condition and Context

Internal control deficiencies resulted in the noncompliance over:

- Timely Recording
- Failure to Report Misappropriation of Funds

These internal control deficiencies are further detailed 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. . . ."

TIMELY RECORDING

A similar comment also appeared in prior Report 000000046S.

Condition and Context

The County Treasurer's Daily Balance of Cash and Depositories (Cash Book) reported total cash on hand - closing of \$1,657,692 at December 31, 2023. The amount was incorrectly labeled as total cash on hand and was a deposit that was not recorded in the Cash in Depositories section of the Cash Book until January 2, 2024.

COUNTY TREASURER
STEUBEN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

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.

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction.

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

FAILURE TO REPORT MISAPPROPRIATION OF FUNDS

Condition and Context

In March of 2024, the County paid a vendor on behalf of the County Sheriff's Office and the check was intercepted, altered, and fraudulently cashed in Michigan. The County contacted the financial institution and was able to recover the lost funds. The Indiana State Board of Accounts, however, was not notified when the incident occurred as required by Indiana state law.

Criteria

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

"A public officer who has actual knowledge of or reasonable cause to believe that there has been a misappropriation of public funds or assets of the public office, including:

- (1) information obtained as a result of a police report;
- (2) an internal audit finding; or
- (3) another source indicating that a misappropriation has occurred;

shall immediately send written notice of the misappropriation to the state board of accounts and the prosecuting attorney serving in the area governed by the political subdivision."

COUNTY TREASURER
STEUBEN COUNTY
EXIT CONFERENCE

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BOARD OF COUNTY COMMISSIONERS
STEUBEN COUNTY

BOARD OF COUNTY COMMISSIONERS
STEUBEN COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS - COMPLIANCE

Condition and Context

Internal control deficiencies resulted in the noncompliance over:

- Compensation and Benefits
- Conflict of Interest

These internal control deficiencies are further detailed 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:

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BOARD OF COUNTY COMMISSIONERS
STEUBEN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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- (1) Payment of an insurance premium.
 - (2) Payments in recognition of:
 - (A) longevity;
 - (B) professional certifications; or
 - (C) educational advancements; that are separately identified on a salary ordinance or resolution.
 - (3) Payment of a stipend or per diem allowed by statute.
- (b) Compensation shall be established using an annual, monthly, or biweekly salary schedule. An elected county officer is not required to report hours worked and may not be compensated based on the number of hours worked.
- (c) Except as provided in subsection (d), the compensation of an elected county officer may not be changed in the year for which it is fixed. The compensation of other county officers, deputies, and employees or the number of each may be changed at any time on:
- (1) the application of the county fiscal body or the affected officer, department, commission, or agency; and
 - (2) a majority vote of the county fiscal body.
- (d) In the year in which a newly elected county officer takes office, the county fiscal body may at any time change the compensation for holding the county office for that year if: . . .
- (1) the county officer requests the compensation change or, in the case of the county executive body, a majority of the county executive body requests the change; and
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BOARD OF COUNTY COMMISSIONERS
STEUBEN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

CONFLICT OF INTEREST

Condition and Context

It was identified during the audit period that the County entered into related-party transactions with local vendors involving County Councilwoman, Christina Cress (Cress), and Annex Building Maintenance Manager, Mike Sevits (Sevits). Cress and Sevits are both considered a "public servant" per Indiana Code 35-31.5-2-261. With respect to Cress Law Group, PC, Cress served as the "Chief Financial Officer" of the entity and her husband served as "President," per a review of documents on file with the Indiana Secretary of State (SOS). With respect to Sevits Tree Service LLC, Sevits served as the "registered agent" of the entity; his wife served as "Secretary," per a review of documents on file with the SOS.

Based upon the circumstances, the Indiana State Board of Accounts would have expected a conflict of interest to be filed during the audit period that covered this matter. There was no evidence to support that a conflict of interest disclosure was filed with the Clerk of the Circuit Court in 2023 that covered these matters. The related-party transactions in 2023 totaled \$8,011 to Cress Law Group and \$300 to Sevits Tree Service. In 2024, related-party transactions totaled \$11,286 to Cress Law Group and \$1,600 to Sevits Tree Service.

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

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)

BOARD OF COUNTY COMMISSIONERS
STEUBEN COUNTY
EXIT CONFERENCE

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