

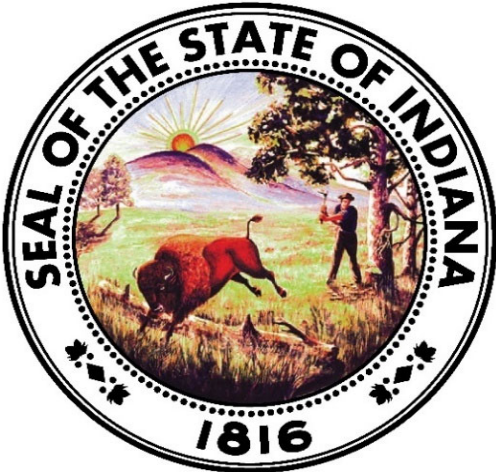
**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

SUPPLEMENTAL COMPLIANCE REPORT

OF

FLOYD COUNTY, INDIANA

January 1, 2023 to December 31, 2023



**FILED**

09/16/2024



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Diana Topping	01-01-23 to 12-31-24
County Treasurer	Steve Burks	01-01-23 to 12-31-24
Clerk of the Circuit Court	Danita Burks	01-01-23 to 12-31-24
County Sheriff	Steve Bush	01-01-23 to 12-31-24
County Recorder	Lois N. Endris	01-01-23 to 12-31-24
President of the Board of County Commissioners	Tim Kamer Dr. Al Knable	01-01-23 to 04-30-23 05-01-23 to 12-31-24
President of the County Council	Denise Konkle Danny Short	01-01-23 to 12-31-23 01-01-24 to 12-31-23



**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 FLOYD COUNTY, INDIANA

This report is supplemental to the audit report of Floyd 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

August 27, 2024

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COUNTY AUDITOR  
FLOYD COUNTY

COUNTY AUDITOR  
FLOYD COUNTY  
AUDIT RESULTS AND COMMENTS

**ANNUAL FINANCIAL REPORT**

A similar comment also appeared in prior Reports B55625, B58853, B59679, and 000000191C, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING* and *ANNUAL FINANCIAL REPORT*.

*Condition and Context*

Financial information is required to be entered annually into the Indiana Gateway for Government Units (Gateway) financial reporting system, which is the source of the County's Annual Financial Report (AFR). Although the County Auditor input AFR data, and the Deputy County Auditor reviewed the financial information prior to submission in 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 not reflective of the financial activity of the County's underlying records. As such, the AFR presented for audit contained the following errors:

*Financial Data*

- Supplemental financial activity for the County departments, reported to the County Auditor by each department on the Supplemental CAR-1 for inclusion in the AFR, were included with exception of the beginning balances for the ISETS-Child Support and the Odyssey funds which were omitted. As such, the beginning cash and investment balances and ending cash and investment balances were understated a total of \$2,177,225.
- The QE Reserve Fund was not included in the financial statement. The omission understated the beginning cash and investment balance by \$331,399, receipts by \$15,472, disbursements by \$4,392, and the ending cash and investment balance by \$342,479.
- Two funds were reported with different fund names than the prior audit report due to incorrect coding when submitting the AFR.

Adjustments were proposed, accepted by the County, and made to the financial statement presented in the Financial Statement Audit Report of the County.

*Capital Assets*

Although the County reported capital assets in the AFR, the County was unable to provide documentation to support the amount reported. On March 20, 2024, the County contracted with a consulting firm to perform the appropriate and necessary services required by the County for meeting the Indiana State Board of Accounts requirements regarding County owned capital assets. The County received the completed list during the audit engagement, and the updated list was provided to auditors on June 27, 2024. The County Auditor requested adjustments be made to the reported schedule to present the updated amounts.

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.

COUNTY AUDITOR  
FLOYD COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Leases and Debt*

Although the County reported leases and debt on the AFR, the submission did not include the lease with the Floyd County Redevelopment Authority for Novaparke. Additionally, the schedule included immaterial variances in ending principal balance for four debts reported.

Adjustments were 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*

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](#)."

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. . . ."

**INTERNAL CONTROLS**

*Condition and Context*

The lack of effective internal controls resulted in noncompliance over the following areas as described in the comments below:

- Capital Assets
- Auditor Records do not Reconcile with Treasurer Records
- Motor Vehicle Highway (MVH) - Restricted Fund

COUNTY AUDITOR  
FLOYD COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*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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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. . . ."

**CAPITAL ASSETS**

The same comment also appeared in prior Reports B55625, B58853, B59679, and 000000191C.

*Condition and Context*

A complete detailed listing of capital assets owned by the County was not provided for audit, and the record has not been maintained up to date. The County has not conducted a periodic physical inventory of its assets. In not retaining a detailed listing of capital assets and performing a physical inventory comparing the asset listing to the asset on hand, it could not be verified if the capital asset schedule submitted with the Annual Financial Report was materially accurate.

On March 6, 2024, the County contracted with a consulting firm to perform the appropriate and necessary services required by the County for meeting the Indiana State Board of Accounts requirements regarding County owned capital assets. The County received the completed list during the audit engagement, and the updated list was provided to auditors on June 27, 2024.

*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 Counties of Indiana, Chapter 1)

COUNTY AUDITOR  
FLOYD COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**COUNTY AUDITOR RECORDS DO NOT RECONCILE WITH COUNTY TREASURER RECORDS**

A similar comment also appeared in the prior Report 000000191C.

*Condition and Context*

The County Auditor and County Treasurer maintain separate accounting for the County's financial activity. The activity between the two offices is compared at least monthly through the completion of the Monthly Financial Statement, County Form 61 (Form 61). The Form 61 shows the financial transactions for the month and year to date, for each fund and in total. Variances existed each month between the amount reported by the County Auditor and that reported by the County Treasurer in the Cash Book. At December 31, 2023, the County Treasurer reported \$210,196 more than the balance reported by the County Auditor.

*Criteria*

At the close of each calendar month a Monthly Financial Statement, County Form No. 61, shall be prepared, showing the financial transactions for the month and year to date, for each fund and in total.

The county treasurer is also required to independently prepare a Monthly Financial Statement on the same form and the two statements must be reconciled. If any differences exist between the records of the auditor and the treasurer, they must be identified and immediate steps taken to bring the records of the two offices into agreement.

The statements are prescribed to be placed in a post-binder and shall be carefully preserved as a permanent record.

(Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

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

A similar comment also appeared in the prior Reports B58853, B59679, and 000000191C, entitled **MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND**.

*Condition and Context*

Four out of ten disbursements tested from the MHV Restricted fund were made for activities not related to the construction, reconstruction, and preservation of the County's highways. These disbursements included payroll expenses related to work performed by employees of the County Highway Department.

Although the County provided daily work schedule documentation to support the payroll related expenses paid from this fund, the documentation indicated that work being performed included, but was not limited to, weed trimming, road patchwork, tree debris clean up, light work, and sign installations. These expenses are not costs associated with the construction, reconstruction, or preservation of the County's paved and unpaved roads, streets, bridges, and highways as required for expenditures from the MVH Restricted fund. The County's daily work schedule identified these items as not being an allowable activity and calculated the amount of funds that should be reimbursed for each pay period. Recalculation of all pay periods ineligible expenses total \$190,736, with four pay periods not documented for the year.

COUNTY AUDITOR  
FLOYD COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

An adjustment of \$130,000 was made on December 7, 2023, to correct the MVH Restricted fund for the unallowed costs. The adjustment was not sufficient to cover the total documented ineligible expenses, resulting in \$60,736 of ineligible expenses from the MVH Restricted fund.

*Criteria*

Indiana Code 8-14-1-4(b) states: "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."

COUNTY AUDITOR  
FLOYD COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 27, 2024, with Diana Topping, County Auditor; Gloria Jones, Chief Deputy County Auditor; Donald Lopp, Director of Operations and Planning; Michelle Portwood, HR Director; Dr. Al Knable, President of the Board of County Commissioners; and Danny Short, President of the County Council.

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COUNTY TREASURER  
FLOYD COUNTY

COUNTY TREASURER  
FLOYD COUNTY  
AUDIT RESULT AND COMMENT

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS  
AND REPORTING - COUNTY TREASURER**

A similar comment also appeared in prior Reports B55625, B58853, B59679, and 000000191C, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING - COUNTY TREASURER*.

*Condition and Context*

The County Treasurer had not designed and implemented internal controls to ensure that financial information presented to the County Auditor for inclusion in the County's Annual Financial Report (AFR) was accurate, that the monthly bank reconciliations were complete and accurate, or that financial activity was properly recorded.

Due to the lack of effective internal controls, the following errors were identified:

- The Supplemental CAR-1 report, submitted by the County Treasurer to the County Auditor for inclusion in the financial information submitted into the Indiana Gateway for Government Units (Gateway) financial reporting system, was reported incorrectly. The beginning cash and investment balances and disbursements were overstated by \$803,571 and \$803,921, respectively. Adjustments to the Supplemental CAR-1 report were proposed and accepted by the County Treasurer. Adjustments to the financial information in Gateway were also proposed and accepted by the County Auditor.
- Monthly bank reconciliations were not properly completed for 11 of the County Treasurer's bank accounts tested. In total, the County had 14 bank accounts through the course of the audit period, which should have been reconciled monthly to the County's ledgers. Of the 168 monthly reconciliations required during the audit period, 28 were selected for testing. Of the 28 tested, 11 did not have a properly completed bank reconciliation.
- A comparison of the County Treasurer's Daily Balance of Cash Depositories, Form 47 (Cash Book) to the bank depository account on December 31, 2023, indicated an unidentified cash short of \$501,541.
- A monthly reconciliation of the record balance with the County Auditor on County Form No. 61, Monthly Financial Statement was not properly performed. Variances existed each month between the amount reported by the County Auditor and that reported by the County Treasurer in the Cash Book. At December 31, 2023, the County Treasurer reported \$210,196 more than the balance reported by the County Auditor.
- One Auditor of State distribution was not recorded in the financial records timely. The receipt for \$227,194 was recorded on October 26, 2023, 63 days late.

*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 5-13-5-1(a) states:

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

COUNTY TREASURER  
FLOYD COUNTY  
AUDIT RESULT AND COMMENT  
(Continued)

- (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."

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. . . ."

The supplemental annual report forms are submitted by other county offices and departments to be used by the county auditor to provide complete financial information for the annual report by reporting financial activity that is maintained outside of the county auditor's system. The supplemental annual reports are only to be submitted with financial activity that is not eventually accounted for in the county's general ledger system. For example, the recorder's office may maintain a cashbook and an outside bank account, but those receipts are turned over monthly and accounted for monthly in the auditor's system and so would not be reported on the supplemental annual report, even that portion at year end that has yet to be remitted to the county auditor's office. (County Bulletins and Uniform Compliance Guidelines, December 2023)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

The Treasurer's Daily Balance of Cash and Depositories, Form 47, is the record prescribed to enable the treasurer to comply with IC 5-13-5-1. It reflects the daily receipts and disbursements, total amount of cash and investments on hand, and a proof of the financial condition of the office at the close of each day. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 5)

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)

COUNTY TREASURER  
FLOYD COUNTY  
AUDIT RESULT AND COMMENT  
(Continued)

The Monthly Financial Statement, Form 61, is a permanent record prepared from the treasurer's funds ledger at the close of each month. It is prepared after all postings to the ledger have been completed for the month and reflects the total receipts and disbursements and the balance for each fund for the month and for the year to date. The statement must agree with a similar statement kept by the county auditor, giving consideration to any adjustments required to reconcile the ledgers of the two offices. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 5)

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)

COUNTY TREASURER  
FLOYD COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 21, 2024, with Steve Burks, County Treasurer, and on August 27, 2024, with Dr. Al Knable, President of the Board of County Commissioners, and Danny Short, President of the County Council.

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COUNTY SHERIFF  
FLOYD COUNTY

COUNTY SHERIFF  
FLOYD COUNTY  
AUDIT RESULT AND COMMENT

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING - COUNTY SHERIFF**

A similar comment also appeared in prior Report 000000191C, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING - COUNTY SHERIFF*.

*Condition and Context*

The County Sheriff had not designed or implemented an effective system of internal controls over financial transactions and reporting to prevent, or detect and correct, errors. The following issues were identified:

- Internal controls were not in place to verify financial reports contained all financial activity, and that the financial activity was properly reported. Financial reports for the Jail Commissary and Sheriff's Inmate Trust, presented for audit to support the supplemental financial report, Supplemental CAR-1, completed by the department for inclusion in the County's Annual Financial Report (AFR), did not support the amounts reported. The beginning cash and investments balance on the financial report presented for audit was not in agreement with the prior year ending cash and investments balance and did not include activity for one of the commissary fund accounts. In addition, financial reports detailing transactions and providing summarized totals were not in agreement with one another and, in some instances, were not mathematically correct. When the issues identified were brought to the County Sheriff's Director of Financial Operations attention, the software vendor was contacted, and it was determined that the software company would review the process to determine the cause of the variance.
- The County Sheriff had not separated incompatible activities related to financial transactions and reporting. Bank reconciliements were performed by one individual with no indication of oversight or review to prevent, or detect and correct, errors. The same individual was also responsible for recording transactions and issuing checks.
- Internal controls in place over the recording and approving of adjustments made to the financial records were insufficient, as the documentation to support the adjustments did not provide an explanation as to the reason for the adjustment to ascertain the validity of the adjustment.
- Internal controls were not properly documented for the reconciliation of receipts issued with collections on hand. Although the County Sheriff's procedures required monies to be counted by two individuals and reconciled with the receipts, with both individuals signing the collections report verifying the accuracy, the documentation reviewed only showed one employee signature.
- Internal controls were not in place to ensure inmate trust and commissary collections were deposited in a timely manner. Daily collections for 53 days were selected for testing. The testing identified 12 instances in which collections were deposited 7 days or more after the receipt of funds. In 1 instance, collections were not deposited until 34 days after being received.
- Internal controls over disbursements documenting the approval of purchases and verifying purchases made from commissary funds followed IC 36-8-10-21. In addition, internal controls were not in place to ensure proper documentation was retained to support disbursements made. As such, for 10 percent of the disbursement transactions reviewed, either information was not retained to support the disbursement transaction, or the disbursement was for activity not authorized by IC 36-8-10-21.

COUNTY SHERIFF  
FLOYD COUNTY  
AUDIT RESULT AND COMMENT

*Criteria*

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

Indiana Code 5-13-6-1(g) states in part:

"The following are not required to deposit funds on the business day following receipt if the funds on hand do not exceed five hundred dollars (\$500): . . .

- (2) A local officer of a political subdivision required to deposit funds under subsection (c) other than a township trustee.
- (3) A city or a town required to deposit funds under subsection (d)."

Indiana Code 36-8-10-21 states:

"(a) This section applies to any county that has a jail commissary that sells merchandise to inmates.

(b) A jail commissary fund is established, referred to in this section as "the fund". The fund is separate from the general fund, and money in the fund does not revert to the general fund.

(c) The sheriff, or the sheriff's designee, shall deposit all money from commissary sales into the fund, which the sheriff or the sheriff's designee shall keep in a depository designated under [IC 5-13-8](#).

(d) The sheriff, or the sheriff's designee, at the sheriff's or the sheriff's designee's discretion and without appropriation by the county fiscal body, may disburse money from the fund for:

- (1) merchandise for resale to inmates through the commissary;
- (2) expenses of operating the commissary, including, but not limited to, facilities and personnel;
- (3) special training in law enforcement for employees of the sheriff's department;
- (4) equipment installed in the county jail;
- (5) equipment, including vehicles and computers, computer software, communication devices, office machinery and furnishings, cameras and photographic equipment, animals, animal training, holding and feeding equipment and supplies, or attire used by an employee of the sheriff's department in the course of the employee's official duties;
- (6) an activity provided to maintain order and discipline among the inmates of the county jail;

COUNTY SHERIFF  
FLOYD COUNTY  
AUDIT RESULT AND COMMENT

- (7) an activity or program of the sheriff's department intended to reduce or prevent occurrences of criminal activity, including the following:
  - (A) Substance abuse.
  - (B) Child abuse.
  - (C) Domestic violence.
  - (D) Drinking and driving.
  - (E) Juvenile delinquency;
- (8) expenses related to the establishment, operation, or maintenance of the sex and violent offender registry web site under [IC 36-2-13-5.5](#); or
- (9) any other purpose that benefits the sheriff's department that is mutually agreed upon by the county fiscal body and the county sheriff.

Money disbursed from the fund under this subsection must be supplemental or in addition to, rather than a replacement for, regular appropriations made to carry out the purposes listed in subdivisions (1) through (8).

(e) The sheriff shall maintain a record of the fund's receipts and disbursements. The state board of accounts shall prescribe the form for this record. The sheriff shall semiannually provide a copy of this record of receipts and disbursements to the county fiscal body. The semiannual reports are due on July 1 and December 31 of each year."

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 SHERIFF  
FLOYD COUNTY  
AUDIT RESULT AND COMMENT

The supplemental annual report forms are submitted by other county offices and departments to be used by the county auditor to provide complete financial information for the annual report by reporting financial activity that is maintained outside of the county auditor's system. The supplemental annual reports are only to be submitted with financial activity that is not eventually accounted for in the county's general ledger system. For example, the recorder's office may maintain a cashbook and an outside bank account, but those receipts are turned over monthly and accounted for monthly in the auditor's system and so would not be reported on the supplemental annual report, even that portion at year end that has yet to be remitted to the county auditor's office. (County Bulletins and Uniform Compliance Guidelines, December 2023)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY SHERIFF  
FLOYD COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 27, 2024, with Stan Heil, County Sheriff's Director of Financial Operations; Dezarea Crowe Byrne, County Sheriff's Financial Operations Deputy; Steve Bush, County Sheriff; Dr. Al Knable, President of the Board of County Commissioners; and Danny Short, President of the County Council.

COUNTY HIGHWAY DEPARTMENT  
FLOYD COUNTY

COUNTY HIGHWAY DEPARTMENT  
FLOYD COUNTY  
AUDIT RESULT AND COMMENT

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

A similar comment also appeared in the prior Reports B58853, B59679, and 000000191C, entitled *MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND*.

*Condition and Context*

Four out of ten disbursements tested from the MHV Restricted fund were made for activities not related to the construction, reconstruction, and preservation of the County's highways. These disbursements included payroll expenses related to work performed by employees of the County Highway Department.

Although the County provided daily work schedule documentation to support the payroll related expenses paid from this fund, the documentation indicated that work being performed included, but was not limited to, weed trimming, road patchwork, tree debris clean up, light work, and sign installations. These expenses are not costs associated with the construction, reconstruction, or preservation of the County's paved and unpaved roads, streets, bridges, and highways as required for expenditures from the MVH Restricted fund. The County's daily work schedule identified these items as not being an allowable activity, and calculated the amount of funds that should be reimbursed for each pay period. Recalculation of all pay periods ineligible expenses total \$190,736, with four pay periods not documented for the year.

An adjustment of \$130,000 was made on December 7, 2023, to correct the MVH Restricted fund for the unallowed costs. The adjustment was not sufficient to cover the total documented ineligible expenses, resulting in \$60,736 of ineligible expenses from the MVH Restricted fund.

*Criteria*

Indiana Code 8-14-1-4(b) states: "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."

COUNTY HIGHWAY DEPARTMENT  
FLOYD COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 27, 2024, with Donald M. Lopp, Director of Operations and Planning; Dr. Al Knable, President of the Board of County Commissioners; and Danny Short, President of the County Council.