

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

HARRISON COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED
09/26/2024

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---|-----------------|----------------------|
| County Auditor | Chad Shireman | 01-01-23 to 12-31-24 |
| County Treasurer | Christa Day | 01-01-23 to 12-31-24 |
| Clerk of the Circuit Court | Sherry Brown | 01-01-23 to 12-31-24 |
| County Sheriff | Nicholas Smith | 01-01-23 to 12-31-24 |
| County Recorder | Debbie Dennison | 01-01-23 to 12-31-24 |
| President of the Board of County Commissioners | Nelson Stepro | 01-01-23 to 12-31-24 |
| President of the County Council | Donald Hussung | 01-01-23 to 12-31-24 |
| Superintendent of County Parks | Larry Shickles | 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

TO: THE OFFICIALS OF HARRISON COUNTY, INDIANA

This report is supplemental to the audit report of Harrison 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 11, 2024

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COUNTY AUDITOR
HARRISON COUNTY

COUNTY AUDITOR
HARRISON COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

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

- Board Minutes
- Overdrawn Cash Balances
- Compensation and Benefits
- Monthly and Annual Engagement Uploads
- Motor Vehicle Highway (MVH) - Restricted Fund

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. . . ."

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

A similar comment appeared in prior Report 000000348S, entitled *ANNUAL FINANCIAL REPORT*.

Condition and Context

Financial, supplemental, 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 over the AFR information entered in Gateway, which resulted in the following errors:

Financial Information

Financial activity was incorrectly reported. The following errors were identified when comparing the financial statement to the County's financial records:

COUNTY AUDITOR
HARRISON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- The receipt and disbursement transactions for the County General fund were incorrectly reported. Receipts were understated by \$3,305,411, and disbursements were overstated by \$8,082, resulting in an understated ending cash and investment balance of \$3,313,493.
- The CAGIT-Co Certified Shares fund was omitted. This resulted in the understatement of both the beginning and ending cash and investment balance of \$159,972. The fund did not have any financial activity during 2023.
- The cash and investment balance for the Morvin's Landing Lease Fund was overstated by \$57,886. An investment that had been redeemed in 2021 was incorrectly included in the balance.

Audit 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.

Additionally, errors were identified in financial activity transactions not being recorded and corrected in a timely manner as follows:

- Expenditures totaling \$601,329 were incorrectly recorded in the American Rescue Plan Act fund, resulting in the fund having a deficit balance.
- Receipt transactions were not recorded in a timely manner by the County Auditor. Errors were found in 10 of the 239 receipt transactions tested, as they were not recorded by the end of the month and/or year in which they were received. As a result of not recording transactions in a timely manner, \$68,308 in receipts received at the end of the year were not recorded until the subsequent fiscal year.
- Six other funds had deficit cash and investment balances carried forward from the prior year totaling \$249,443. These funds did not have any activity in 2023, and there was no indication of subsequent grant funds being received to offset the deficit balance. The deficit cash balance is indicative of errors in recording of financial transactions or improper overspending of funds.

Capital Assets

A typographical error was made entering capital asset values, resulting in the overstatement of assets in the amount of \$149,894,700.

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.

Investment Fund Statements

The investment statement incorrectly reported the value of investments held during the period. One fund reported an investment that no longer existed, and the investment value for six other funds were understated. Total investments were understated by \$180,886. Amounts held in depository accounts were incorrectly reported as investments.

COUNTY AUDITOR
HARRISON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Grant Information

- The COVID-19 - Coronavirus State and Local Fiscal Recovery Funds expenditures were overstated by \$601,881.
- The Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii expenditures in the amount of \$250,000 were omitted.
- The Expenditures of the Formula Grant for Rural Areas and Tribal Transit Program were incorrectly reported, resulting in the overstatement of expenditures of \$101,596.
- The Highway Planning and Construction program expenditures were overstated by \$35,723.
- Two other grant program expenditures were incorrectly reported, resulting in errors totaling \$349.
- Amounts passed through to subrecipients, totaling \$463,721, were not identified.
- The pass-through entity for three programs was not properly identified.
- Five programs had incorrect project identification numbers.

Audit adjustments were proposed, accepted by the County, and made to the Schedule of Expenditures of Federal Awards in the Federal Compliance 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:

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

COUNTY AUDITOR
HARRISON 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. . . ."

"The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes . . .

- Accurate and timely recording of transactions . . ."

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 Auditors of Indiana, Chapter 1)

BOARD MINUTES

The same comment appeared in prior Reports B58285, B59706, and 000000348S.

Condition and Context

Formal minutes of the meetings of the Board of County Commissioners and the County Council were not always transcribed during the audit period or in the months thereafter. Therefore, the minutes were not approved by the respective County Boards. The County Auditor prepared abbreviated, handwritten notations that summarized the County Boards' activities and provided packets of information presented at the meetings. However, the County Boards' precise actions and approvals could not be ascertained in many instances due to the lack of detail in the handwritten notations.

Criteria

Indiana Code 5-14-1.5-4 states in part:

". . . (b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken by individual members if there is a roll call.
- (5) Any additional information required under section 3.5 or 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication.

(c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

COUNTY AUDITOR
HARRISON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

OVERDRAWN CASH BALANCES

A similar comment was included in a Management Letter addressed to the County Auditor and the Board of County Commissioners for the audit period ending December 31, 2022.

Condition and Context

The financial statement presented for audit had funds with overdrawn cash balance as of December 31, 2023. Nine of the funds had overdrawn balances brought forward from the prior year, one fund (American Rescue Plan Act) was overdrawn due to posting errors that had not been corrected, and four were reimbursable grants in which the County did not seek timely reimbursement. The following funds had overdrawn balances not associated with outstanding grant reimbursements:

| Fund | Amount Overdrawn |
|--------------------------------|---------------------|
| American Rescue Plan Act | \$ (601,329) |
| Coronavirus Relief Fund/millio | (205,038) |
| Parks - Indian Creek Trail | (30,252) |
| 93.563 ARRA CLERK IV-D INCEN | (11,700) |
| 19/20 PHEP - CFDA 93.069 | (1,511) |
| Immunization/vaccines grant | (478) |
| MCH - 16519101 & 18527114 | (464) |
| Payroll - Health Insurance | (4,238) |
| Payroll - Insur Aflac | (149) |
| Payroll - HUMANA voluntary | (12) |

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. In an instance in which a unit receives a reimbursement grant, the unit must be claiming reimbursement in a timely manner. In this case, it would be possible for a fund to be overdrawn for a short period of time. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

COMPENSATION AND BENEFITS

Condition and Context

Compensation was paid to employees that was not included in the County's salary ordinance or a County policy.

The County Sheriff's Department K-9 handlers received three-quarters of an hour daily compensation for care of the police canine. The number of hours or rate of compensation was not approved in a salary ordinance or a County policy.

Payment was made to one employee for the sell back of unused vacation pay. The County's personnel policy does not address the sell back of vacation pay.

COUNTY AUDITOR
HARRISON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

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)

PARKS AND RECREATION CREDIT CARDS

A similar comment also appeared in prior Reports B58285, B59706, and 000000348S, entitled *CREDIT CARDS*.

Condition and Context

Credit cards were issued to the Superintendent County Parks and other County Park's employees. Each cardholder was responsible for the card issued to them, ensuring that supporting documentation was received for each charge, and presenting monthly credit card statements for the County Parks Board's approval and to the County Auditor for subsequent payment.

A review of the credit card payments made identified the following issues with internal controls over the payments:

- Credit card payments were being submitted weekly for designated items from the credit card statement, but rarely submitting a payment for all items on the statement at one time. The credit card statement was not provided to the County Auditor when submitting charge invoices to be paid. This method of payment creates difficulties in determining what items have been paid and what items remain unpaid. As a result, the County Auditor could not properly audit the claims to ensure no duplicate payments were being made, unpaid outstanding balance existed, penalties and interest were being incurred, or personal expenses were being charged and going unreimbursed.
- Sufficient supporting documentation did not accompany all charges. Although receipts were presented for gasoline receipts and meal receipts, information was not provided to support the expenditures were associated with legitimate expense of the County Parks and Recreation Department. The gasoline expenditures did not have documentation to identify the vehicle the gasoline was for or the vehicle mileage to determine the reasonableness of the expense to verify the gasoline was not for personal use. The meal receipts did not identify the business nature of the reason for the meal purchase, such as, out of town travel or a nature of a business meeting. Instances were identified where gasoline was purchased at stores in excess of 60 miles from the County with no indication of approval travel documentation.

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.

COUNTY AUDITOR
HARRISON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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

(4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and . . ."

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. . . ."

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.

COUNTY AUDITOR
HARRISON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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

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

MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

A similar comment also appeared in prior Report B58285, entitled *MONTHLY GATEWAY UPLOADS*, and Reports B59706 and 000000348S, entitled *MONTHLY AND ANNUAL ENGAGEMENT UPLOADS*.

Condition and Context

The County Auditor did not comply with the State Examiner Directive 2018-1. The County Auditor did not upload the following information that is required to be either uploaded monthly or annually:

- Board Minutes
- December Funds Ledger
- Detail of Receipts
- Detail of Disbursements
- Vendor History
- Salary Ordinance
- Annual Payroll History
- Accounts Payable/Receivable Schedule
- Direct Federal Grant Agreements/Award Letter and Amendments for the Year
- Agreement with Subawards made to Subrecipients for Federal Awards
- Personnel Policy

Criteria

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

COUNTY AUDITOR
HARRISON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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 Auditors of Indiana, Chapter 1)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

The County recorded at the time of receipt of the distribution from the State Motor Vehicle Highway Account 50 percent of the distribution to the MVH Restricted fund; however, these monies were later transferred to the regular Motor Vehicle Highway fund to reimburse qualified expenditures. In addition, in March of 2023, the County reimbursed the Motor Vehicle Highway fund for expenditures that were incurred in 2021 and 2022, in the amounts of \$366,460 and \$382,929, respectively. Qualified expenses for the MVH Restricted fund should have been paid directly from the MVH Restricted fund at the time of the expenditure to provide transparency in expenditures and proper reporting of financial activity.

Criteria

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

The political subdivision, by ordinance or resolution, may elect to allocate more than fifty percent (50%) of the distributions to MVH Restricted. During the same fiscal year, the political subdivision may transfer, by ordinance or resolution, the amount allocated in excess of the 50% requirement from MVH Restricted to MVH. ***In no event can any transfers from MVH Restricted to MVH reduce the fiscal year distributions from the State Motor Vehicle Highway Account below the 50% requirement for MVH Restricted. . . .***

Accounting for distributions from the State Motor Vehicle Highway Account in MVH and MVH Restricted will promote the transparency and accountability of public funds. This will also assist counties and municipalities with more than 15,000 residents in completing and filing the Annual Operational Report required under Indiana Code 8-17-4.1.

(State Examiner Directive 2018-2)

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 Counties of Indiana, Chapter 1)

COUNTY AUDITOR
HARRISON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 11, 2024, with Chad Shireman, County Auditor; Nelson Stepro, President of the Board of County Commissioners; Richard Gerdon, County Council member; and Donald Hussung, President of the County Council.

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COUNTY TREASURER
HARRISON COUNTY

COUNTY TREASURER
HARRISON COUNTY
AUDIT RESULT AND COMMENT

FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

The County Treasurer did not have a proper system of internal controls in place over financial transactions and reporting to prevent, or detect and correct, errors in cash and investments. The County Treasurer had not established internal controls to ensure monthly bank reconciliations were complete and accurate and to ensure financial activity was accurately recorded in the County Treasurer's Daily Balance of Cash and Depositories (County Treasurer's Cash Book) and reported.

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

- Monthly bank reconciliations were not properly completed. A review of the December 2023 bank reconciliation identified the following errors with the reconciliation performed:
 - The outstanding check list was inaccurate. The total of the outstanding checks used in the reconciliation did not agree with the detailed listing of outstanding checks presented for audit. There were 70 checks, totaling \$27,784, identified as outstanding that were not reported on the outstanding check list.
 - The bank and investment balance used in the reconciliation was not in agreement with the balance shown on the bank and investments statements as confirmed with the financial institution. The depository account balance for 9 out of 15 bank accounts reported in the reconciliation were incorrect.
 - Amounts were reported as deposit in transit; however, no detail was provided to support the amounts shown.
 - Interest was not properly identified and used as a reconciling item.
 - On December 31, 2023, a difference of \$445,810 cash long existed between the depository account balance and the record balance.
- Interest was not properly and timely reported to the County Auditor for receipting to financial records. A review of bank interest for the year identified \$105,857 in interest for the period August through November 2023 that had not been recorded by year end. Interest totaling \$37,801 on investments for October to December 2023 were also not reported and recorded.
- An investments register was not maintained to identify investments held totaling \$30,961,905, and the investments were not properly recorded on the County Treasurer's Cash Book.
- Monies received were not being recorded timely to ensure financial activity was properly reported in the correct accounting period. Electronic deposits totaling \$82,926 received for the period December 8 to December 29 were not identified and recorded in the financial records until the following year.

COUNTY TREASURER
HARRISON COUNTY
AUDIT RESULT AND COMMENT
(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."

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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. . . ."

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)

The Register of Investments, Form 350, is the form prescribed for the treasurer to record investment transactions as they occur.

A separate line should be used for recording each security and a separate sheet should be used for each fund invested. A separate sheet should also be used for investments made from the total monies on deposit.

(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)

Christa Day
Harrison County Treasurer
(812) 738-2348
christa.day@harrisoncounty.in.gov
245 Atwood Street Suite 213 Corydon, IN 47112

The monthly reconciliations will be properly completed by verifying the outstanding check lists more carefully. The bank balances will be checked and verified by Chief Deputy. I was not aware that there was to be documentation for deposits in transit, and now that I am aware of this, information can be documented. All information on the monthly reconciliation will be discussed and double checked with the Chief Deputy for accuracy.

Interest was not recorded due to changing our accounts to Treasury Investments and not having the changes recorded in software program (Low). This information was kept in a book with all monthly reporting. Going forward, all information and interest on Treasuries will be documented on a spreadsheet and into Cash Books.

All electronic deposits will be carefully monitored to ensure these are recorded in a timely manner.

COUNTY TREASURER
HARRISON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 11, 2024, with Christa Day, County Treasurer; Nelson Stepro, President of the Board of County Commissioners; Richard Gerdon, County Council member; and Donald Hussung, President of the County Council.

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COUNTY SHERIFF
HARRISON COUNTY

COUNTY SHERIFF
HARRISON COUNTY
AUDIT RESULT AND COMMENT

MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

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

Condition and Context

The County Sheriff did not have internal controls in place to ensure compliance with State Examiner Directive 2018-1. The County Sheriff did not upload the Annual Inmate Trust Fund Subsidiary Detail record to the Indiana Gateway for Government Units financial reporting system.

Criteria

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All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

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COUNTY SHERIFF
HARRISON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 10, 2024, with Nicholas Smith, County Sheriff; Rosemary Brister, Office Manager; and Rachel Dunaway, County Commissary Officer.

The contents of this report were also discussed on September 11, 2024, with Nelson Stepro, President of the Board of County Commissioners; Richard Gerdon, County Council member; and Donald Hussung, President of the County Council.

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COUNTY PARKS AND RECREATION
HARRISON COUNTY

COUNTY PARKS AND RECREATION
HARRISON COUNTY
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

The same comment also appeared in prior Reports B58285, B59706, and 000000348S.

Condition and Context

The County Parks Department does not maintain a Ledger of Receipts, Disbursements, and Balances (Form 358). A record is maintained of daily collections; however, the record does not report checks for disbursements made to the County for remittance of collections and does not contain a balance of funds on hand. Although the department compares deposits per the bank statements to deposits made, a proper bank reconciliation is not performed due to not maintaining a ledger with a record balance.

Failure to have proper internal controls in place over transactions and reporting and bank reconciliation could allow errors to occur and go undetected.

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."

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. . . ."

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 Counties of Indiana, Chapter 1)

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

PENALTIES, INTEREST, AND OTHER CHARGES

Condition and Context

A review of credit card payments approved by the County Parks and Recreation Board revealed that the monthly balances were not being paid in full. Supporting documentation was not being provided for all charges associated with the monthly charges, and only charges that had supporting documentation were being paid. As a result, penalty and interest charges were being assessed, and balances were being carried forward.

COUNTY PARKS AND RECREATION
HARRISON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

A review of credit card purchases from June 2023 to June 2024 identified 12 instances where credit penalties and interest were charged on three different credit card accounts. For two of the credit card accounts, penalties and interest of \$28 was paid by each of the employees in the month following when the cost was incurred. On the other account, penalties and interest incurred beginning in August 2023 and continued up through May 2024, totaling \$820. In June 2024, upon our notification to the department of the costs being incurred, the employee paid the amount of penalty and interest to the credit card company.

Failure to have proper internal controls in place over the over credit card disbursements resulted in the accumulated balance to go undetected and caused the County to incur penalty and interest charges.

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. . . ."

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems with should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligations of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

CREDIT CARDS

A similar comment also appeared in prior Reports B58285, B59706, and 000000348S, entitled *CREDIT CARDS*.

Condition and Context

Credit cards were issued to the Superintendent of County Parks and other County Parks employees. Each cardholder was responsible for the card issued to them, ensuring that supporting documentation was received for each charge, and presenting monthly credit card statements for the County Parks Board's approval and to the County Auditor for subsequent payment.

A review of the credit card payments made identified the following issues with internal controls over the payments:

COUNTY PARKS AND RECREATION
HARRISON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- Credit card payments were being submitted weekly for designated items from the credit card statement, but rarely submitting a payment for all items on the statement at one time. The credit card statement was not provided to the County Auditor when submitting charge invoices to be paid. This method of payment creates difficulties in determining what items have been paid and what items remain unpaid. As a result, the County Auditor could not properly audit the claims to ensure no duplicate payments were being made, determine if unpaid outstanding balance existed, penalties and interest were being incurred, or personal expenses were being charged and going unreimbursed.
- Sufficient supporting documentation did not accompany all charges. Although receipts were presented for gasoline receipts and meal receipts, information was not provided to support that the expenditures were associated with legitimate expense of the County Parks and Recreation Department. The gasoline expenditures did not have documentation to identify the vehicle the gasoline was for or the vehicle mileage to determine the reasonableness of the expense to verify the gasoline was not for personal use. The meal receipts did not identify the business nature of the reason for the meal purchase, such as, out of town travel or a nature of a business meeting. Instances were identified where gasoline was purchased at stores in excess of 60 miles from the County with no indication of approved travel documentation.

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: . . .

(4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and . . ."

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. . . ."

COUNTY PARKS AND RECREATION
HARRISON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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

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

COUNTY PARKS AND RECREATION
HARRISON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 9, 2024, with Larry Shickles, Superintendent of County Parks; Teresa Sutton, President of the County Parks and Recreation Board; Scott Fluhr, County Parks and Recreation Board member; and Carolyn Lowe, County Parks and Recreation Board member.

The contents of this report were also discussed on September 11, 2024, with Nelson Stepro, President of the Board of County Commissioners; Richard Gerdon, County Council member; and Donald Hussung, President of the County Council.

COUNTY HIGHWAY
HARRISON COUNTY

COUNTY HIGHWAY
HARRISON COUNTY
AUDIT RESULT AND COMMENT

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

The County recorded at the time of receipt of the distribution from the State Motor Vehicle Highway Account 50 percent of the distribution to the MVH Restricted fund; however, these monies were later transferred to the regular Motor Vehicle Highway fund to reimburse qualified expenditures. In addition, in March of 2023, the County reimbursed the Motor Vehicle Highway fund for expenditures that were incurred in 2021 and 2022 in the amounts of \$366,459 and \$382,928, respectively. Qualified expenses for the MVH Restricted fund should have been paid directly from the MVH Restricted fund at the time of the expenditure to provide transparency in expenditures and proper reporting of financial activity.

Criteria

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

The political subdivision, by ordinance or resolution, may elect to allocate more than fifty percent (50%) of the distributions to MVH Restricted. During the same fiscal year, the political subdivision may transfer, by ordinance or resolution, the amount allocated in excess of the 50% requirement from MVH Restricted to MVH. ***In no event can any transfers from MVH Restricted to MVH reduce the fiscal year distributions from the State Motor Vehicle Highway Account below the 50% requirement for MVH Restricted. . . .***

Accounting for distributions from the State Motor Vehicle Highway Account in MVH and MVH Restricted will promote the transparency and accountability of public funds. This will also assist counties and municipalities with more than 15,000 residents in completing and filing the Annual Operational Report required under Indiana Code 8-17-4.1.

(State Examiner Directive 2018-2)

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 Counties of Indiana, Chapter 1)

COUNTY HIGHWAY
HARRISON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 9, 2024, with Kevin Russel, County Highway Director/County Engineer, and Nelson Stepro, President of the Board of County Commissioners.

The contents of this report were also discussed on September 11, 2024, with Nelson Stepro, President of the Board of County Commissioners; Richard Gerdon, County Council member; and Donald Hussung, President of the County Council.