

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

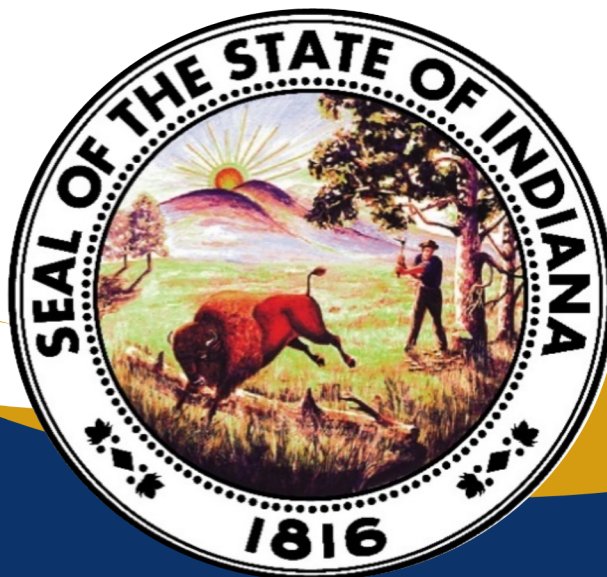
**Paul D. Joyce, CPA
State Examiner**

SUPPLEMENTAL COMPLIANCE REPORT

OF

OHIO COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED

12/09/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Amy R. Hochstrasser Kelli S. Vest	01-01-23 to 11-30-23 12-01-23 to 12-31-24
County Treasurer	Melinda Smith	01-01-23 to 12-31-24
Clerk of the Circuit Court	Jamie Stegemiller	01-01-23 to 12-31-24
County Sheriff	Tom Baxter	01-01-23 to 12-31-24
County Recorder	Vickie Monroe	01-01-23 to 12-31-24
President of the Board of County Commissioners	Connie J. Brown	01-01-23 to 12-31-24
President of the County Council	Tamara J. Elbright	01-01-23 to 12-31-24
Superintendent of the Highway Department	Michael Kirkpatrick	01-01-23 to 12-31-24



Paul D. Joyce, CPA
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INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF OHIO COUNTY, INDIANA

This report is supplemental to the audit report of Ohio 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

November 20, 2024



COUNTY AUDITOR
OHIO COUNTY

COUNTY AUDITOR
OHIO COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

There was a deficiency in the internal control system of the County related to financial transactions and reporting of payroll disbursements.

The County designed a system of internal controls over payroll disbursements, but the system was not properly implemented. The Board of County Commissioners approved the total payroll of each department, without a review at the individual employee level, to ensure that payroll disbursements were accurate.

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. . . ."

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

A similar comment also appeared in prior Report 000000870S.

Condition and Context

Internal controls were not in place to ensure compliance with State Examiner Directive 2018-2. During a review of disbursements from the MVH Restricted fund, seven of the ten disbursements tested, totaling \$15,305, did not have adequate documentation to support that the payments were for the construction, reconstruction, or preservation of the County's highways.

COUNTY AUDITOR
OHIO COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

Indiana Code 8-14-1-4(b) states: "Except as provided in subsection (c), for funds distributed to a county from the motor vehicle highway account, the county shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the county's highways."

The purpose of this Directive is to authorize and require counties, cities, and towns that receive distributions from the State Motor Vehicle Highway Account to **create a new sub-fund within the MVH Fund** to properly manage and account for the usage restrictions that were included in House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018.

The sub-fund will be referred to throughout this Directive as "MVH Restricted" and will be used to account for MVH monies which have been statutorily restricted for construction, reconstruction, and preservation purposes. . . .

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted.

(State Examiner Directive 2018-2)

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 AUDITOR
OHIO COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 20, 2024, with Kelli S. Vest, County Auditor; Connie J. Brown, President of the Board of County Commissioners; Tamara J. Elbright, President of the County Council; Charles R. Cleary, Jr., County Council member; and Deborah Thomason, County Council member.

COUNTY TREASURER
OHIO COUNTY

COUNTY TREASURER
OHIO COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment appeared in prior Report 000000870S.

Condition and Context

There were several deficiencies in the internal control system of the County Treasurer (Treasurer) related to financial transactions and recording. The Treasurer had not separated incompatible activities related to cash and investments and receipts.

Cash and Investments

One individual was responsible for performing the reconciliation of the depository account balance to the record balance. There was no documented review or approval process in place to ensure the reconciliations were being performed and were accurate. Due to the lack of effective internal controls, a variance (cash long) of \$96,930 at December 31, 2023, was not identified or corrected.

Receipts

Multiple employees received collections, issued receipts, posted receipts, prepared deposit slips, and remitted the collections to the bank. There were not adequate segregation of duties in place, such as an oversight, review, or approval process, to prevent, or detect and correct, errors.

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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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. . . ."

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
OHIO COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 20, 2024, with Melinda Smith, County Treasurer; Connie J. Brown, President of the Board of County Commissioners; Tamara J. Elbright, President of the County Council; Charles R. Cleary, Jr., County Council member; and Deborah Thomason, County Council member.



CLERK OF THE CIRCUIT COURT
OHIO COUNTY

CLERK OF THE CIRCUIT COURT
OHIO COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in prior Report 000000870S.

Condition and Context

There were several deficiencies in the internal control system of the Clerk of the Circuit Court (Clerk) related to financial transactions and reporting. The Clerk had not separated incompatible activities related to cash and investments and disbursements.

Cash and Investments

One employee was responsible for performing the reconciliation of the depository account balance with the record balance. There were no internal controls in place, such as an oversight, review, or approval process, to ensure that reconciliations were performed and were accurate.

Disbursements

Internal controls over the Trust and Support disbursements were not implemented. After disbursements were made by one individual, disbursement documentation and reports were retained, but there was no evidence of an oversight, review, or approval process presented for audit.

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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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. . . ."

CLERK OF THE CIRCUIT COURT
OHIO COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

A similar comment appeared in prior Report 000000870S.

Condition and Context

Internal controls were not in place to ensure compliance with State Examiner Directive 2018-1. The Clerk of the Circuit Court did not upload any of the required monthly or annual financial information on the Indiana Gateway for Government Units financial reporting system for the year 2023.

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 October 30, 2023, and effective with uploads due 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)

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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CLERK OF THE CIRCUIT COURT
OHIO COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 20, 2024, with Connie J. Brown, President of the Board of County Commissioners; Tamara J. Elbright, President of the County Council; Charles R. Cleary, Jr., County Council member; and Deborah Thomason, County Council member.

COUNTY HIGHWAY
OHIO COUNTY

COUNTY HIGHWAY
OHIO COUNTY
AUDIT RESULT AND COMMENT

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

A similar comment also appeared in prior Report 000000870S.

Condition and Context

Internal controls were not in place to ensure compliance with State Examiner Directive 2018-2. During a review of disbursements from the MVH Restricted fund, seven of the ten disbursements tested, totaling \$15,305, did not have adequate documentation to support that the payments were for the construction, reconstruction, or preservation of the County's highways.

Criteria

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(State Examiner Directive 2018-2)

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COUNTY HIGHWAY
OHIO COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 20, 2024, with Michael Kirkpatrick, Superintendent of the Highway Department; Connie J. Brown, President of the Board of County Commissioners; Tamara J. Elbright, President of the County Council; Charles R. Cleary, Jr., County Council member; and Deborah Thomason, County Council member.