

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

VERMILLION COUNTY, INDIANA

January 1, 2017 to December 31, 2017



FILED
09/20/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Amy L. Tolbert	01-01-17 to 12-31-20
County Treasurer	Florinda A. Pruitt	01-01-17 to 12-31-20
Clerk of the Circuit Court	Amy Griffin	01-01-17 to 12-31-20
County Sheriff	Michael Phelps	01-01-15 to 12-31-22
County Recorder	Marge Hennis Jennifer Peebles	01-01-15 to 12-31-18 01-01-19 to 12-31-22
President of the Board of County Commissioners	Tim J. Wilson	01-01-17 to 12-31-19
President of the County Council	Jill Wesch Michael Carty John Michael Major	01-01-17 to 12-31-17 01-01-18 to 12-31-18 01-01-19 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF VERMILLION COUNTY, INDIANA

This report is supplemental to our audit report of Vermillion County (County), for the period from January 1, 2017 to December 31, 2017. 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 our Financial Statement Audit Report of the County, which provides our opinion 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.

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

August 29, 2019

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COUNTY AUDITOR
VERMILLION COUNTY

COUNTY AUDITOR
VERMILLION COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal control system of the County Auditor related to financial reporting. The County had not established a proper system of internal controls as they had not separated incompatible activities related to the preparation of the financial statement. There were no controls in place, such as an oversight, review, or approval process.

Due to the lack of controls, the financial information reported in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the County's financial statement, was not reflective of the financial activity of the County. The beginning cash and investment balances did not agree with the December 31, 2016 ending balances for five funds and were overstated in total by \$7,698,469. In addition, receipts for funds reported on the supplemental annual reports were overstated by \$16,724,857 and disbursements were overstated by \$16,803,666.

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. . . .

COUNTY AUDITOR
VERMILLION 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. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. 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](#)."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The County improperly certified on the Annual Financial Report on February 9, 2017, that the internal control ordinance had been adopted; however, the ordinance was not adopted until March 3, 2018.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

COUNTY AUDITOR
VERMILLION COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 29, 2019, with Amy L. Tolbert, County Auditor; Tim J. Wilson, President of the Board of County Commissioners; John Michael Major, President of the County Council; Ronald Dunavan, Jr., County Council member.

BOARD OF COUNTY COMMISSIONERS
VERMILLION COUNTY

BOARD OF COUNTY COMMISSIONERS
VERMILLION COUNTY
AUDIT RESULT AND COMMENT

ADOPTION OF INTERNAL CONTROL STANDARDS

Condition and Context

The County did not pass a proper internal control ordinance by June 30, 2016, as required by Indiana Code. The County's ordinance was not passed until March 3, 2018.

Criteria

Indiana 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and . . ."

BOARD OF COUNTY COMMISSIONERS
VERMILLION COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 29, 2019, with Amy L. Tolbert, County Auditor; Tim J. Wilson, President of the Board of County Commissioners; John Michael Major, President of the County Council; Ronald Dunavan, Jr., County Council member.