

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WASHINGTON COUNTY, INDIANA

January 1, 2018 to December 31, 2018



**FILED**  
01/22/2020



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
County Auditor:	
Audit Results and Comments:	
Annual Financial Report.....	6-7
Certification on Internal Control Standards .....	7
Exit Conference .....	8
Board of County Commissioners:	
Audit Result and Comment:	
Training on Internal Control Standards .....	10
Exit Conference .....	11
Clerk of the Circuit Court:	
Audit Result and Comment:	
Internal Controls.....	14-15
Official Response.....	16
Exit Conference .....	17

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Randall Bills	01-01-15 to 12-31-18
	Kyra Stephenson	01-01-19 to 12-31-22
County Treasurer	Shirley Batt	01-01-17 to 12-31-20
Clerk of the Circuit Court	Sarah Milligan	01-01-17 to 06-14-19
	Lindsay Jackson (interim)	06-15-19 to 06-30-19
	Stephanie K. Rockey	07-01-19 to 12-31-20
County Sheriff	Roger L. Newlon	01-01-15 to 12-31-18
	Brent Miller	01-01-19 to 12-31-22
County Recorder	Kyra Stephenson	01-01-15 to 12-31-18
	Terri Graves	01-01-19 to 12-31-22
President of the Board of County Commissioners	Phillip D. Marshall	01-01-18 to 12-31-19
President of the County Council	Todd M. Ewen	01-01-18 to 12-31-18
	Ben Bowling	01-01-19 to 12-31-19



**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 WASHINGTON COUNTY, INDIANA

This report is supplemental to our audit report of Washington County (County), for the period from January 1, 2018 to December 31, 2018. 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/](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.

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

October 22, 2019

(This page intentionally left blank.)

COUNTY AUDITOR  
WASHINGTON COUNTY

COUNTY AUDITOR  
WASHINGTON COUNTY  
AUDIT RESULTS AND COMMENTS

**ANNUAL FINANCIAL REPORT**

*Condition and Context*

Proper controls were not in place to ensure complete and accurate financial reporting. Investments pertaining to the Cumulative Jail fund in the amount of \$150,000 were not included in the Annual Financial Report.

*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](#)."

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.

COUNTY AUDITOR  
WASHINGTON COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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. . . ."

***CERTIFICATION ON INTERNAL CONTROL STANDARDS***

*Condition and Context*

The County Auditor certified that employees had received the internal control training, but was unable to provide any proof that internal control training occurred. The certification forms that had been signed by the County employees could not be located during the audit.

*Context*

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  
WASHINGTON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 22, 2019, with Kyra Stephenson, County Auditor; Phillip D. Marshall, President of the Board of County Commissioners; Ben Bowling, President of the County Council; John Revels, County Council member; and Michele Fleenor, First Deputy County Auditor.

BOARD OF COUNTY COMMISSIONERS  
WASHINGTON COUNTY

BOARD OF COUNTY COMMISSIONERS  
WASHINGTON COUNTY  
AUDIT RESULT AND COMMENT

***TRAINING ON INTERNAL CONTROL STANDARDS***

*Condition and Context*

The County was unable to provide the training certification forms or any proof that internal control training had taken place at the County. The training certification forms signed by the County employees could not be located during the audit.

*Criteria*

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

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

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

BOARD OF COUNTY COMMISSIONERS  
WASHINGTON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 22, 2019, Phillip D. Marshall, President of the Board of County Commissioners; Ben Bowling, President of the County Council; and John Revels, County Council member.

(This page intentionally left blank.)

CLERK OF THE CIRCUIT COURT  
WASHINGTON COUNTY

CLERK OF THE CIRCUIT COURT  
WASHINGTON COUNTY  
AUDIT RESULT AND COMMENT

**INTERNAL CONTROLS**

*Condition and Context*

There were several deficiencies in the internal control system of the Clerk of the Circuit Court related to financial transactions and reporting as follows:

*Cash and Investments*

One person performed the monthly bank reconciliation without any oversight or review. This same individual was also responsible for reconciling daily cash collections. Also, the bank reconciliations for nine months during 2018 were completed more than 90 days after month-end. A review of the cash reconciliation for the Odyssey system at December 31, 2018, identified a variance of \$287.

*Financial Transactions*

Controls were not in place to ensure that all financial activity for the day was properly recorded to the Cash Book. The Daily Cash Balance report was not reviewed to ensure that all receipt and disbursement activity for the day was properly processed and recorded within the computerized financial system.

Proper controls were not in place for disbursement transactions. Checks were issued by one individual without oversight or review to ensure that the checks were issued to the proper payee and for the proper amount.

*Financial Reporting*

Proper controls were not in place to ensure that financial activity was properly reported. The financial activity related to child support (ISETS) was not reported properly on the Supplemental CAR-1 for inclusion in the County's Annual Financial Report. The activity reported did not agree with the financial records. The amounts reported were based upon an abstract of the bank statement activity, resulting in the understatement of receipts by \$27,781, understatement of disbursement by \$21,299, the overstatement of the beginning cash and investment balance by \$12,443, and the overstatement of the ending cash balance by \$6,051.

CLERK OF THE CIRCUIT COURT  
WASHINGTON COUNTY  
AUDIT RESULT AND COMMENT  
(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:

"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. . . ."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Clerk of the Circuit Courts of Indiana, Chapter 1)



**STEPHANIE K. ROCKEY, CLERK**  
WASHINGTON COUNTY CLERK OF THE COURTS

October 25, 2019

**OFFICIAL RESPONSE**

State Board of Accounts  
302 West Washington Street  
Room E 418  
Indianapolis, Indiana 46204-2765

Re: Official Response on Exit Conference

Dear SBOA,

As the current Clerk of Washington County, I, Stephanie K. Rockey, whom took office on July 1, 2019, am giving an official response to the audit that was conducted starting July 2019 for the periods of January 1, 2018 to December 31, 2018. Since taking office safe guards and accounting protocols were put into effect. Those changes were further incorporated into our daily bookkeeping based on the informal exit interview and then again reviewed at our Exit Conference on October 22, 2019. All noncompliance issues have been addressed and rectified.

With appreciation,

A handwritten signature in cursive script that reads "Stephanie K. Rockey".

Stephanie K. Rockey  
Washington County Clerk of Courts

CLERK OF THE CIRCUIT COURT  
WASHINGTON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 22, 2019, with Stephanie K. Rockey, Clerk of the Circuit Court; Amber McKinley, First Deputy Clerk of the Circuit Court; Phillip D. Marshall, President of the Board of County Commissioners; Ben Bowling, President of the County Council; and John Revels, County Council member.