

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

HARRISON COUNTY, INDIANA

January 1, 2019 to December 31, 2019



**FILED**  
10/29/2020



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Chad Shireman	01-01-19 to 12-31-20
County Treasurer	Debbie Dones	01-01-19 to 12-31-20
Clerk of the Circuit Court	Sherry Brown	01-01-19 to 12-31-20
County Sheriff	Nicholas Smith	01-01-19 to 12-31-20
County Recorder	Debbie Dennison	01-01-19 to 12-31-20
President of the Board of County Commissioners	Kenny Saulman	01-01-19 to 12-31-20
President of the County Council	Holli Castetter Donnie Hussung	01-01-19 to 06-23-19 06-24-19 to 12-31-20



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF HARRISON COUNTY, INDIANA

This report is supplemental to our audit report of Harrison County (County), for the period from January 1, 2019 to December 31, 2019. 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 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.

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

October 15, 2020

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COUNTY AUDITOR  
HARRISON COUNTY

COUNTY AUDITOR  
HARRISON COUNTY  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

A similar comment also appeared in prior Report B53096, entitled *FINDING 2018-002*.

*Condition and Context*

The County did not have a proper system of internal controls in place to prevent, or detect and correct, errors during the financial close and reporting process. Financial information was entered into the Indiana Gateway for Government Units financial reporting system, which was the source for the financial statement, by the County Auditor with no evidence of an independent review, oversight, or approval process to ensure the accuracy of the information reported. There were no signoffs or other documentation to indicate that someone other than the County Auditor was involved in the financial close and reporting process.

*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. . . ."

**MONTHLY GATEWAY UPLOADS**

*Condition and Context*

The files and governmental unit information that are required to be uploaded monthly, per State Examiner Directive 2018-1, are the bank reconcilements, approved board minutes and funds ledger, summarizing total receipts, disbursements, and balances by fund. Annual upload requirements for manual records include the year-end bank statement, year-end outstanding check list, year-end investment statements, and current year salary resolution.

The County did not comply with the directive and failed to upload any of the Board of County Commissioner and County Council Board minutes on the Indiana Gateway for Government Units financial reporting system for 2019.

COUNTY AUDITOR  
HARRISON COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

Beginning with July 2018 files, which will be due September 15, 2018, all cities, towns, townships, libraries, and special districts will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. . . . Counties and school corporations will upload January 2019 files beginning in March 2019. (State Examiner Directive 2018-1)

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)

**BOARD MINUTES**

A similar comment also appeared in a Management Letter addressed to the County Auditor for the audit period ending December 31, 2018.

*Condition and Context*

Formal minutes of the meetings of the Board of County Commissioners and the County Council were not transcribed during the audit period or in the months thereafter. Therefore, the minutes were not approved by the respective Boards. The County Auditor prepared abbreviated, handwritten notations that summarized the Boards' activities and provided packets of information presented at the meetings. However, the 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 take, by individual members if there is a roll call.
- (5) Any additional information required under section 3.5 of 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)

Indiana Code 36-2-9-7 states:

"(a) The auditor shall perform the duties of clerk of the county executive under IC 36-2-2-11.

(b) If the auditor cannot perform the duties of clerk during a meeting of the county executive, and the auditor does not have a deputy or the auditor's deputy cannot attend the meeting, the executive may deputize a person to perform those duties during the meeting."

Indiana Code 36-2-2-11(a) states: "The county auditor shall attend all meetings of, and record in writing the official proceedings of, the executive."

Indiana Code 36-2-9-8 states: "The auditor shall perform the duties of clerk of the county fiscal body under IC 36-2-3-6(b)."

Indiana Code 36-2-3-6(b) states in part:

"The county auditor is the clerk of the fiscal body and shall do the following:

- (1) Preserve the fiscal body's records in the county auditor's office.
- (2) Keep an accurate record of the fiscal body's proceedings.
- (3) Record the ayes and nays on each vote appropriating money or fixing the rate of a tax levy.
- (4) Record the ayes and nays on other votes when requested to do so by two (2) or more members. . . ."

***LATE SUBMISSION OF ANNUAL FINANCIAL REPORT***

A similar comment also appeared in a Management Letter addressed to the County Auditor for the audit period ending December 31, 2018.

*Condition and Context*

The County's Annual Financial Report for 2019 was not filed electronically until June 30, 2020, which was 122 days past the due date.

*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  
HARRISON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 15, 2020, with Chad Shireman, County Auditor; Jim Heitkemper, County Commissioner; and Holli Castetter, County Council member.

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PARKS AND RECREATION DEPARTMENT  
HARRISON COUNTY

PARKS AND RECREATION DEPARTMENT  
HARRISON COUNTY  
AUDIT RESULT AND COMMENT

**CREDIT CARDS**

*Condition and Context*

Throughout the audit period, sufficient internal controls were not in place to ensure paid receipts and/or invoices from credit card purchases were remitted timely to the Bookkeeper for payment of the credit card bills. Charges on the credit card statement that lacked supporting documentation at the time the bill was due could not be paid. As a result, \$121 in finance charges were incurred and billed to the credit card account.

Additionally, subsequent to the audit period, the Parks and Recreation Department had accrued an additional \$961 in finance charges and late fees as of August 2020.

*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. . . ."

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

The SBOA will not take exception to the use of credit cards by a unit provided the following criteria are observed:

PARKS AND RECREATION DEPARTMENT  
HARRISON COUNTY  
AUDIT RESULT AND COMMENT  
(Continued)

1. The governing board must authorize credit card use through an ordinance/resolution, which has been approved 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 that officer or employee.
8. If authorized, an annual fee may be paid.

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

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 which should be investigated by the governmental 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 governmental unit. Any penalties, interest, or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

PARKS AND RECREATION DEPARTMENT  
HARRISON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 15, 2020, with Chad Shireman, County Auditor; Jim Heitkemper, County Commissioner; and Holli Castetter, County Council member.

The contents of this report were also discussed on October 21, 2020, with Larry Shickles, County Parks and Recreation Superintendent, and Teresa L. Sutton, President of the Parks Board of Directors.