

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ORANGE COUNTY, INDIANA

January 1, 2020 to December 31, 2020



**FILED**

12/27/2021



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Lonnie Stroud	01-01-20 to 12-31-21
County Treasurer	Billie Deel	01-01-20 to 12-31-21
Clerk of the Circuit Court	Beth Jones Elizabeth Jones	01-01-20 to 12-31-20 01-01-21 to 12-31-21
County Sheriff	Joshua Babcock	01-01-20 to 12-31-21
County Recorder	Sandy Hill	01-01-20 to 12-31-21
President of the Board of County Commissioners	Richard W. Dixon	01-01-20 to 12-31-21
President of the County Council	Matt Henderson Chad Hager	01-01-20 to 12-31-20 01-01-21 to 12-31-21



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF ORANGE COUNTY, INDIANA

This report is supplemental to our audit report of Orange County (County), for the period from January 1, 2020 to December 31, 2020. 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

December 9, 2021

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COUNTY AUDITOR  
ORANGE COUNTY

COUNTY AUDITOR  
ORANGE COUNTY  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER FINANCIAL CLOSE AND REPORTING**

*Condition and Context*

There were deficiencies in the internal control system of the County related to financial close and reporting and the input of financial information entered in the Indiana Gateway for Government Units (Gateway) financial reporting system, which is the source for the Annual Financial Report and the financial statement. Financial information was prepared and submitted into Gateway without an effective oversight, review, approval, or other compensating internal controls to ensure the accuracy of the information prior to submission.

*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. . . ."

COUNTY AUDITOR  
ORANGE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**CAPITAL ASSETS**

*Condition and Context*

Capital asset figures were uploaded to Gateway and included as a supplemental schedule in the approved preliminary financial statement. However, there was no detailed capital assets listing to support those figures and no evidence that an inventory had been taken in the last two years.

*Criteria*

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

**USE OF MVH RESTRICTED FUNDS**

*Condition and Context*

Of the ten disbursements examined, that were expended from the MVH Restricted fund, two disbursements (a highway grader lease payment and a bulk fuel purchase) should not have been paid from the fund. In addition, the Highway Department portion of the County's GIS system was also paid from the MVH Restricted fund. The disbursements were not for the construction, reconstruction, and preservation of the County's highways.

*Criteria*

Indiana Code 8-14-1-4(b) states: "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."

COUNTY AUDITOR  
ORANGE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 9, 2021, with Lonnie Stroud, County Auditor; Richard W. Dixon, President of the Board of County Commissioners; and Chad Hager, President of the County Council.

COUNTY SHERIFF  
ORANGE COUNTY

COUNTY SHERIFF  
ORANGE COUNTY  
AUDIT RESULT AND COMMENT

**MONTHLY AND ANNUAL GATEWAY UPLOADS**

*Condition and Context*

As of November 23, 2021, the County Sheriff had not uploaded any of the 2020 files required for the monthly and annual engagement uploads into the Indiana Gateway for Government Units financial reporting system.

*Criteria*

In keeping with State Examiner Directive 2018-1, the following details the monthly and annual uploads required by each department:

Monthly, we will be requiring the following to be uploaded: . . .

**County Sheriff:**

- Monthly Bank Reconciliation
- Cash Balance Report . . .

Counties will be required to upload their January 2019 files in March 2019. The due date for these files will be March 15th, 2019. Each official will have the responsibility of uploading their own monthly required documents in gateway. . . .

Annually, we will be requiring the following to be uploaded: . . .

**County Sheriff:**

- Year End Bank Statement . . .

(The County Bulletin and Uniform Compliance Guidelines, December 2018)

State Examiner Directive 2018-1 was amended on November 9, 2020, as follows:

"This amended directive is effective starting with December 2020 monthly files. The upload of December 2020 monthly files will be due February 15, 2021, and by the 15th of each month thereafter unless the State Board of Accounts (SBOA) establishes a different date. This is effective for 2020 annual files which will be due for upload March 1, 2021, for calendar year end units. . . .

COUNTY SHERIFF  
ORANGE COUNTY  
AUDIT RESULT AND COMMENT  
(Continued)

The following files and governmental unit information are required to be uploaded monthly by all units except as noted:

- Bank Reconcilements, Bank Statements, and Outstanding Check Lists
- Approved Board Minutes, please see the user guide for more information and examples
- Funds Ledger, summarizing total receipts, disbursements, and beginning and ending balances by fund . . .

For County Clerks, Recordors, and Sheriffs:

- Cash Balance Reports,
- Bank Reconcilements, Bank Statements, and Outstanding Check Lists

The following files and governmental unit information are required to be uploaded annually (for Counties, these apply to County Auditors unless otherwise noted): . . .

- Additionally, for County Sheriff only: Inmate Trust Fund Subsidiary Detail as of December 31 . . .
- Optional: Excel Data Capture/Data Dump (in lieu of Detail of Receipts and Disbursements)"

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)

COUNTY SHERIFF  
ORANGE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 9, 2021, with Joshua Babcock, County Sheriff; Tara Chaplin, County Sheriff's Department Bookkeeper; Richard W. Dixon, President of the Board of County Commissioners; and Chad Hager, President of the County Council.