

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

VERMILLION COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED
03/28/2022

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
County Auditor:	
Audit Results and Comments:	
Internal Controls	6-7
Motor Vehicle Highway (MVH) - Restricted Fund	7
Exit Conference	8
County Treasurer:	
Audit Result and Comment:	
Internal Controls	10
Exit Conference	11

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Amy Tolbert Brenda J. Furry	01-01-19 to 12-31-20 01-01-21 to 12-31-22
County Treasurer	Florinda A. Pruitt	01-01-19 to 12-31-22
Clerk of the Circuit Court	Amy Griffin Gracie York	01-01-19 to 12-31-20 01-01-21 to 12-31-22
County Sheriff	Michael Phelps	01-01-19 to 12-31-22
County Recorder	Jennifer Peebles	01-01-19 to 12-31-22
President of the Board of County Commissioners	Tim J. Wilson Tim Yocum	01-01-19 to 12-31-20 01-01-21 to 12-31-22
President of the County Council	John Michael Major Ashley James	01-01-19 to 12-31-19 01-01-20 to 12-31-22



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, 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/.

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

March 21, 2022

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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 related to financial transactions. The County Auditor had not established an effective system of internal controls over cash and investments.

The County Auditor's ledger had a cash and investments balance at December 31, 2019, which was \$4,795,317 more than the actual cash and investments held by depositories. When the audit commenced, the officials had already identified errors in the cash and investment balances due to posting errors related to investment transactions and were actively working to determine appropriate correcting entries for the County's ledger.

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. . . ."

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 Auditors of Indiana, Chapter 1)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

Disbursements for payroll and benefits were paid from the MVH Restricted fund without documentation to support that the payments were for the construction, reconstruction, or preservation of the County's highways. Additionally, 1 of 12 MVH distributions was not allocated by 50 percent to the MVH Restricted fund at the time of receipt.

Criteria

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)

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
VERMILLION COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 21, 2022, with Brenda J. Furry, County Auditor; Britton Luther, County Commissioner; William H. Rennels, County Council member; Rick Weir, County Council member; and Scott Craig, Attorney for the County Council.

COUNTY TREASURER
VERMILLION COUNTY

COUNTY TREASURER
VERMILLION COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal control system of the County related to financial transactions. The County Treasurer had not established an effective system of internal controls over cash and investments.

The County Treasurer was not properly reconciling cash and investments as recorded in the software system to amounts held by depositories. The cash and investments balance at December 31, 2019, in the County Treasurer's software system was \$1,685,000 more than the actual cash and investments held by depositories. This was the result of a certificate of deposit that was not removed when it was cashed in during the year. When the audit commenced, the officials had already identified errors in the cash and investment balances due to posting errors related to investment transactions and were actively working to determine appropriate correcting entries to the County's ledger.

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. . . ."

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
VERMILLION COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 21, 2022, with Brenda J. Furry, County Auditor; Florinda A. Pruitt, County Treasurer; Britton Luther, County Commissioner; William H. Rennels, County Council member; Rick Weir, County Council member; and Scott Craig, Attorney for the County Council.