

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

RANDOLPH COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED

06/14/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Laura Martin	01-01-22 to 12-31-23
County Treasurer	Brenda Tharp	01-01-22 to 12-31-23
Clerk of the Circuit Court	Melinda Peed	01-01-22 to 12-31-23
County Sheriff	Art Moystner	01-01-22 to 12-31-23
County Recorder	Jane Grove	01-01-22 to 12-31-23
President of the Board of County Commissioners	Michael Wickersham	01-01-22 to 12-31-23
President of the County Council	Gary Friend David Lenkensdofer	01-01-22 to 12-31-22 01-01-23 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF RANDOLPH COUNTY, INDIANA

This report is supplemental to our audit report of Randolph County (County), for the period from January 1, 2022 to December 31, 2022. 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

May 23, 2023

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COUNTY AUDITOR
RANDOLPH COUNTY

COUNTY AUDITOR
RANDOLPH COUNTY
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

The County had not established an effective internal control system over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the County's Annual Financial Report (AFR) and the financial statement.

The County failed to properly review the financial information prepared and submitted in Gateway. Although the Chief Deputy County Auditor prepared and entered the financial information into Gateway, and the County Auditor reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

Due to the lack of effective internal controls, the AFR and financial statement presented for audit combined the MVH and MVH Restricted funds.

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. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

COUNTY AUDITOR
RANDOLPH COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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

"The state examiner shall require from every audited entity 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](#)."

Together, MVH and MVH Restricted shall constitute the total MVH Fund. MVH and MVH Restricted will be shown separately on the Annual Financial Report and Annual Operational Report.

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)

ANNUAL FINANCIAL REPORT

A similar comment appeared in prior Report B60368, entitled *ANNUAL FINANCIAL REPORT*.

Condition and Context

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The Grant Schedule, accounts receivable, accounts payable, capital assets information, and the Combining Schedule of Receipts, Disbursements, and Balances entered into Gateway contained the following errors:

1. The Grant Schedule did not report all grants received during 2022, and incorrectly identified one grant as passed through to subrecipients, resulting in net errors in the amount of \$288,479.
2. The County reported no accounts receivable; however, the County had accounts receivable in the form of delinquent property taxes to be collected.
3. The accounts payable schedule reported the 2022 encumbrances instead of the claims that were payable at December 31, 2022.
4. The capital assets reported omitted infrastructure and land in the amount of \$93,152,760.
5. The MVH and MVH Restricted funds were not reported separately in the AFR.

Adjustments were proposed, accepted by the County, and made to the Schedule of Capital Assets presented as Other Information, the Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances presented as Required Supplementary Information, and to the Grant Schedule.

COUNTY AUDITOR
RANDOLPH COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

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

"The state examiner shall require from every audited entity 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](#)."

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND DISBURSEMENTS

Condition and Context

Four of ten disbursements tested from the MVH Restricted fund were expended for purposes other than 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."

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. . . .

Qualified expenditures will then be entered accordingly to MVH and MVH Restricted: . . .

MVH Restricted: Effective July 1, 2018, Indiana Code 8-14-1-4(b) and Indiana Code 8-14-1-5(c) requires at least 50% of the MVH distributions to be used for construction, reconstruction and preservation of the unit's highways. (Maintenance expenditures no longer count toward the 50% requirement.)

(State Examiner Directive 2018-2)

COUNTY AUDITOR
RANDOLPH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 23, 2023, with Sherrie Timmons, Chief Deputy County Auditor; Melinda Peed, Clerk of the Circuit Court; Michael Wickersham, President of the Board of County Commissioners; and David Lenkensdofer, President of the County Council.