

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WASHINGTON COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED

12/14/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Kyra Stephenson	01-01-19 to 12-31-21
County Treasurer	Shirley Batt Nancy Coats	01-01-19 to 12-31-20 01-01-21 to 12-31-21
Clerk of the Circuit Court	Sarah Milligan Lindsay Jackson (interim) Stephanie K. Rockey	01-01-19 to 06-14-19 06-15-19 to 07-01-19 07-02-19 to 12-31-21
County Sheriff	Brent Miller	01-01-19 to 12-31-21
County Recorder	Terri Graves	01-01-19 to 12-31-21
President of the Board of County Commissioners	Phillip D. Marshall	01-01-19 to 12-31-21
President of the County Council	Ben Bowling Karen Wischmeier	01-01-19 to 12-31-19 01-01-20 to 12-31-21



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 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.

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

November 10, 2021

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COUNTY AUDITOR
WASHINGTON COUNTY

COUNTY AUDITOR
WASHINGTON COUNTY
AUDIT RESULT AND COMMENT

DISBURSEMENT ACTIVITY FROM MVH RESTRICTED FUND

Condition and Context

MVH Restricted fund disbursements were for activities not related to the construction, reconstruction, or preservation of the County's highways for two of the sixteen disbursements tested. Both disbursements were for fuel not allocated to any specific road or bridge project.

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
WASHINGTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 10, 2021, with Kyra Stephenson, County Auditor; Phillip D. Marshall, President of the Board of County Commissioners; Karen Wischmeier, President of the County Council; and Ben Bowling, County Council member.

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COUNTY SHERIFF
WASHINGTON COUNTY

COUNTY SHERIFF
WASHINGTON COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Similar comments were included in a Management Letter addressed to the County Sheriff for the audit period ending December 31, 2018.

Condition and Context

Proper internal controls, including segregation of duties, have not been established for the County Sheriff's Department.

The County Sheriff had not designed or implemented internal controls, including segregation of duties. One person was responsible for recording the financial activity, making deposits, writing checks, and performing bank reconciliements. The process was completed without a documented oversight, review, or approval process to ensure the accuracy of the financial transactions and reporting.

Inmate Trust

Monthly reconciliements of the subsidiary record of the individual inmates' account balances to the inmate trust control account, per the Inmate Trust ledger, were not being performed. Reconciliation of the subsidiary account to the control account is needed to ensure all financial transactions have been properly recorded in the financial records. There were no reports available showing the monthly transaction totals or balances. Some records were eventually obtained with the software provider's help.

Transfers for commissary sales due to the Sheriff Commissary fund were not made timely. On December 31, 2019, a total of \$137,692 was due from the Inmate Trust fund to the Sheriff Commissary fund. Of this amount, \$102,674 was attributable to sales dating back to 2017 and 2018.

Cash Book

The County Sheriff's Department did not remit collections to the County Auditor in a timely manner, with four months being remitted beyond the end of the subsequent month. Also, monies were retained in the County Sheriff's Cash Book for which the source of the funds could not be identified. The County Sheriff's Cash Book had a balance of \$33,028 on December 31, 2019, of which \$16,689 could not be identified as to the source of the funds. Most of the unidentified amount originated in prior years.

Failure to timely remit funds to the County Auditor resulted in the under reporting of receipt activity in the County's Annual Financial Report and the financial statement, and the failure to properly identify funds on hand for remittance to the County.

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:

COUNTY SHERIFF
WASHINGTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

"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 Counties of Indiana, Chapter 1)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

Condition and Context

None of the required files for the County Sheriff's monthly and annual engagement uploads, such as monthly bank reconciliations and cash balance reports, were uploaded to Indiana Gateway for Government Units (Gateway) financial reporting system for 2019.

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. This remote process will provide for more efficient data processing and save audit costs for our clients. Counties and school corporations will upload January 2019 files beginning in March 2019.

The following files and governmental unit information are required to be uploaded monthly:

- Bank reconcilements
- Approved board minutes
- Funds ledger, summarizing total receipts, disbursements, and balances by fund

COUNTY SHERIFF
WASHINGTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

In order to improve planning for the next engagement, a unit is encouraged to upload prior months' files beginning with the January 2018 files. Thereafter, monthly files must be uploaded no later than the 15th day of the second succeeding month, i.e., August monthly files are due on October 15. (State Examiner Directive 2018-1)

COUNTY SHERIFF
WASHINGTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 10, 2021, with Brent Miller, County Sheriff; Judy Miller, Bookkeeper; Kyra Stephenson, County Auditor; Phillip D. Marshall, President of the Board of County Commissioners; Karen Wischmeier, President of the County Council; and Ben Bowling, County Council member.

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COUNTY HIGHWAY DEPARTMENT
WASHINGTON COUNTY

COUNTY HIGHWAY DEPARTMENT
WASHINGTON COUNTY
AUDIT RESULT AND COMMENT

DISBURSEMENT ACTIVITY FROM MVH RESTRICTED FUND

Condition and Context

MVH Restricted fund disbursements were for activities not related to the construction, reconstruction, or preservation of the County's highways for two of the sixteen disbursements tested. Both disbursements were for fuel not allocated to any specific road or bridge project.

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COUNTY HIGHWAY DEPARTMENT
WASHINGTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 10, 2021, with Richard Voyles, County Highway Superintendent; Kyra Stephenson, County Auditor; Phillip D. Marshall, President of the Board of County Commissioners; Karen Wischmeier, President of the County Council; and Ben Bowling, County Council member.

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CLERK OF THE CIRCUIT COURT
WASHINGTON COUNTY

CLERK OF THE CIRCUIT COURT
WASHINGTON COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in prior Report B54324, entitled *INTERNAL CONTROLS*.

Condition and Context

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

Cash and Investments

Proper internal controls were not in place over cash and investments. One person performed the monthly bank reconcilements without any documented oversight or review. This same individual was also responsible for reconciling daily cash collections. We also noted the following exceptions:

- Five monthly bank reconcilements for the Clerk's Odyssey bank account were not presented for audit. Of the seven Odyssey bank reconcilements that were presented, one was completed more than 90 days after month end.
- Ten of the bank monthly bank reconcilements for the ISETS bank account were completed more than 90 days after month end.

Financial Transactions

No evidence was presented for audit that internal controls were in place to ensure that all financial activity for the day was properly recorded to the Cash Book. There was no documentation presented to show that the Daily Cash Balance report was reviewed to ensure that all receipt and disbursement activity for the day was properly processed and recorded within the computerized financial system.

Proper internal controls were not in place for disbursement transactions. Checks were issued by one individual, with no evidence presented of an oversight or review to ensure that the checks were issued to the proper payee and for the proper amount.

Financial Reporting

Internal controls over the Supplemental CAR-1 report for the Clerk's financial information were not effective. The amounts reported were materially incorrect. The errors were primarily attributable to interbank transfers of funds, totaling \$1,186,896, being included in the amounts reported for receipts and disbursements. There were also minor errors in the amounts reported for child support (ISETS) transactions. As a result of these errors, the beginning cash balance was overstated by \$5,461, receipts were overstated by \$1,186,886, disbursements were overstated by \$1,190,363, and the ending cash balance was overstated by \$1,984.

Audit adjustments were proposed, accepted by the County, and made to the financial statement.

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. . . ."

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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)

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

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](#)."

CLERK OF THE CIRCUIT COURT
WASHINGTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 10, 2021, with Stephanie K. Rockey, Clerk of the Circuit Court; Kyra Stephenson, County Auditor; Phillip D. Marshall, President of the Board of County Commissioners; Karen Wischmeier, President of the County Council; and Ben Bowling, County Council member.