

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

HARRISON COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED
01/06/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Chad Shireman	01-01-20 to 12-31-21
County Treasurer	Debbie Dones	01-01-20 to 12-31-21
Clerk of the Circuit Court	Sherry Brown	01-01-20 to 12-31-21
County Sheriff	Nicholas Smith	01-01-20 to 12-31-21
County Recorder	Debbie Dennison	01-01-20 to 12-31-21
President of the Board of County Commissioners	Kenny Saulman Charlie Crawford	01-01-20 to 12-31-20 01-01-21 to 12-31-21
President of the County Council	Donald Hussung	01-01-20 to 12-31-21



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, 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/.

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 1, 2021

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COUNTY AUDITOR
HARRISON COUNTY

COUNTY AUDITOR
HARRISON COUNTY
AUDIT RESULTS AND COMMENTS

ACCOUNTING AND APPROPRIATION OF COVID-19 GRANTS

Condition and Context

The County did not properly account for the COVID-19 - Coronavirus Relief Fund in accordance with the options outlined in the State Examiner Directive 2020-3 (Directive).

The County established a separate Coronavirus Relief Fund (Fund 8901) and adopted Resolution 2020-05 to utilize prescribed option two to account for public health and safety payroll costs. However, the Indiana Finance Authority reimbursement of \$1,309,106 was receipted into the County General fund instead of the established Fund 8901.

Subsequently, non-payroll related expenditures totaling \$244,794 were paid directly from the Fund 8901 and were expended without appropriation. In addition, a federal reimbursement in the amount of \$8,680 was incorrectly posted to Fund 8901. As a result, Fund 8901 had a negative cash balance of \$236,114 as of December 31, 2020, which still exists as of this report.

Criteria

. . . Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options. . . .

Option Two. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020.** . . .

Transactions for other permitted costs reimbursed by IFA must be accounted for through one of the following prescribed frameworks. . . .

Framework Three. If you have created a negative balance in your CARES fund based on expenditures made in anticipation of receipt of reimbursement for allowable expenditures where invoices have already been submitted to IFA then leave as is and receipt reimbursement when received, bringing the balance in the separate CARES grant fund to zero. Going forward, expend any anticipated allowable expenditures from a fund with an appropriation and follow framework one. If a negative balance in the CARES grant fund is not fully reimbursed, then the unreimbursed amount will require a reverse entry and posting of the expenditure to the general or other appropriate fund within an appropriated line item.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund.** (State Examiner Directive 2020-3)

COUNTY AUDITOR
HARRISON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

BOARD MINUTES

The same comment also appeared in prior Report B55973.

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 Board of County Commissioners. The County Auditor prepared abbreviated, handwritten notations that summarized the Board of County Commissioners' 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 taken 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 another 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."

CAPITAL ASSETS

Condition and Context

The County provided a capital asset listing, but it was not a complete listing of all capital assets owned. Additionally, a physical inventory had not 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)

COUNTY AUDITOR
HARRISON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

LATE SUBMISSION OF ANNUAL FINANCIAL REPORT

A similar comment also appeared in prior Report B55973.

Condition and Context

The County's Annual Financial Report for 2020 was not filed electronically until April 6, 2021, which was 36 days past the due date.

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](#)."

MONTHLY GATEWAY UPLOADS

A similar comment also appeared in prior Report B55973.

Condition and Context

The County did not upload any of the required monthly financial documents to the Indiana Gateway for Government Units financial reporting system.

Criteria

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. For schools and extra-curricular accounts, this is effective for year ending June 30, 2021, which will be due August 29, 2021. Thereafter, annual files must be uploaded no later than March 1st (August 29th for schools and extra-curricular accounts) for the prior year end unless the SBOA establishes a different date.

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the 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. . . .

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 . . .

(State Examiner Directive 2018-1)

COUNTY AUDITOR
HARRISON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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)

MOTOR VEHICLE HIGHWAY (MVH) RESTRICTED FUND

Condition and Context

The County properly established the MVH Restricted (MVHR) fund and properly transferred at the time of receipt of the distribution from the State Motor Vehicle Highway Account 50 percent of the distribution to the MVHR Fund.

The County paid all highway expenses from the MVH fund and annually transferred funds out of the MVHR Fund to the MVH fund for reimbursement of expenses for construction, reconstruction, and preservation of the County's highways. This method did not allow for proper classification of expenses paid from the MVHR fund. Additionally, the transfer included \$276,597 that did not have supporting documentation.

Criteria

Indiana Code 8-14-1-5(c) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

The purpose of this Directive is to authorize and require counties . . . that receive distributions from the State Motor Vehicle Highway Account to **create a new sub-fund within the MVH Fund** to properly manage and account for the usage restrictions that were included in the House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018. . . .

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)

COUNTY AUDITOR
HARRISON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 1, 2021, with Chad Shireman, County Auditor; Donald Hussung, President of the County Council; and Charlie Crawford, President of the Board of County Commissioners.

COUNTY PARKS AND RECREATION DEPARTMENT
HARRISON COUNTY

COUNTY PARKS AND RECREATION DEPARTMENT
HARRISON COUNTY
AUDIT RESULTS AND COMMENTS

DELINQUENT REPORT OF COLLECTIONS

A similar comment was included in a management letter addressed to the County Parks and Recreation Department of Harrison County for the audit period ending December 31, 2019.

Condition and Context

The County Parks and Recreation Department failed to timely file with the County Auditor its monthly reports of collection along with the fees the County Parks and Recreation Department collected. Monthly reports of collection with the fees for December 2019 to December 2020 were not remitted to until December 30, 2020.

As of September 2021, no reports of collection or fees have been remitted to the County Auditor for the period April 2021 to August 2021.

Criteria

Indiana Code 36-10-3-22(d) states: "Money procured from fees . . . shall be deposited at least once each month with the fiscal officer of the unit.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform compliance Guidelines Manual for Counties of Indiana, Chapter 1)

CREDIT CARDS

A similar comment also appeared in prior Report B55973.

Condition and Context

Throughout the audit period, sufficient internal controls were not in place over the use of credit cards. The County Parks and Recreation Department had credit cards that are used by employees to make purchases; however, a credit card policy covering the period under audit was not provided. The County Parks and Recreation Board subsequently adopted a credit card policy on October 27, 2021.

The credit cards have been issued to Larry D. Shickles (Shickles), Superintendent of County Parks, and Juanita Engleman (Engleman), County Parks Bookkeeper. Each cardholder was responsible for the card issued to them, ensuring that supporting documentation was received for each charge, and presenting the monthly credit card statement to the County Parks and Recreation Board for payment approval. A review of credit card payments approved by the County Parks and Recreation Board revealed that the monthly balances were not being paid in full. Supporting documentation was not being provided for all charges associated with the monthly statement and only charges that had supporting documentation were being submitted for approval. There was no evidence provided that the County Parks and Recreation Board took action to resolve the issue of supporting documentation not being provided to ensure monthly credit card bills were being paid in full. In July 2020, the County Parks and Recreation Department issued new credit cards for Shickles and Engleman, closed the prior credit cards, and transferred the prior credit card balances of \$9,873 and \$846, respectively.

COUNTY PARKS AND RECREATION DEPARTMENT
HARRISON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Amounts charged to the County Parks and Recreation Department credit cards are considered an obligation of the County Parks and Recreation Department, but without supporting documentation to support the charges, the amount of charges could not be determined to be legitimate expenses of the County Parks and Recreation Department. As of the August 29, 2021 statement, the unpaid balances carried forward and owed on the credit cards totaled \$14,690 and \$1,958 on the cards held by Shickles and Engleman, respectively. Without the supporting documentation provided, the unpaid balance of \$16,648 would be considered questioned costs.

Both Shickles and Engleman have been informed that at the time of the next audit, they will be held personally responsible for any unsupported charges remaining and any additional penalty and interest charges incurred.

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. . . ."

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

- (1) The governing board must authorize credit card use through an ordinance/resolution, which has been approved in a meeting and documented 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.

COUNTY PARKS AND RECREATION DEPARTMENT
HARRISON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (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 the responsible officer or employee.
- (8) If authorized, an annual fee may be paid.

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

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (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 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 unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

PENALTIES, INTEREST, AND OTHER CHARGES

A similar comment also appeared in prior Report B55973.

Condition and Context

A review of credit card payments approved by the County Parks and Recreation Board revealed that the monthly balances were not being paid in full. Supporting documentation was not being provided for all charges associated with the monthly charges and only charges that had supporting documentation were being paid. As a result, penalty and interest charges were being assessed and balances were being carried forward monthly.

During the prior exit conference on October 21, 2020, officials were informed that any additional penalties, interest, or other charges incurred by the governmental unit may be the personal obligation of the responsible official or employee. From the prior exit conference through the credit card statement date ending August 29, 2021, additional penalties and interest charges were incurred on the cards issued to Shickles and Engleman:

COUNTY PARKS AND RECREATION DEPARTMENT
HARRISON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Credit Card Closing Date	Penalty and Interest Incurred	
	Larry Shickles	Juanita Engleman
10-29-20	\$ 137.03	\$ 18.32
11-27-20	111.43	-
12-29-20	128.84	4.59
01-29-21	135.74	1.78
02-26-21	142.00	11.69
03-29-21	99.54	-
04-28-21	107.00	-
05-28-21	112.00	16.89
06-28-21	132.48	27.28
07-29-21	143.00	-
08-29-21	154.68	12.89
Totals	<u>\$ 1,403.74</u>	<u>\$ 93.44</u>

We requested that Shickles reimburse the County \$1,403.74 for penalties and interest incurred on the credit card issued to him. (See Summary of Charges, page 17)

We requested that Engleman reimburse the County \$93.44 for penalties and interest incurred on the credit card issued to her. (See Summary of Charges, page 17)

Criteria

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

COUNTY PARKS AND RECREATION DEPARTMENT
HARRISON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 1, 2021, with Chad Shireman, County Auditor; Donald Hussung, President of the County Council; Charlie Crawford, President of the Board of County Commissioners; Larry D. Shickles, Superintendent of County Parks; and Teresa Sutton, President of the Park Board.

HARRISON COUNTY
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Larry D. Shickles, Superintendent of Parks:			
Penalties, Interest, and Other Charges, pages 14 and 15	\$ 1,403.74	\$ 1,403.74	\$ -
Juanita Engleman, Parks Bookkeeper:			
Penalties, Interest, and Other Charges, pages 14 and 15	<u>93.44</u>	<u>93.44</u>	<u>-</u>
Totals	<u>\$ 1,497.18</u>	<u>\$ 1,497.18</u>	<u>\$ -</u>

This report was forwarded to the Office of the Indiana Attorney General.