20050S

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

Paul D. Joyce, CPA
State Examiner

SUPPLEMENTAL COMPLIANCE REPORT

OF

WASHINGTON COUNTY, INDIANA

January 1, 2025 to December 31, 2025

FILED
05/20/2026

TABLE OF CONTENTS

SCHEDULE OF OFFICIALS

Office	Official	Term
County Auditor	Kyra Stephenson	01-01-25 to 12-31-26
County Treasurer	Nancy Coats	01-01-25 to 12-31-26
Clerk of the Circuit Court	Stephanie K. Rockey	01-01-25 to 12-31-26
County Sheriff	Brent A. Miller	01-01-25 to 12-31-26
County Recorder	Terri Graves	01-01-25 to 12-31-26
President of the Board of County Commissioners	Phillip D. Marshall	01-01-25 to 12-31-26
President of the County Council	Mark E. Abbott	01-01-25 to 02-01-26
	Brad Gilbert	02-02-26 to 12-31-26

Paul D. Joyce, CPA
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TO: THE OFFICIALS OF WASHINGTON COUNTY, INDIANA

This report is supplemental to the audit report of Washington County (County), for the period from January 1, 2025 to December 31, 2025. 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 the 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. Official Responses are prepared by the auditee and accessibility of this document cannot be guaranteed. Contact the auditee directly for concerns related to accessibility of Official Responses.

Beth Kelley

Beth Kelley, CPA, CFE
Deputy State Examiner

April 21, 2026

COUNTY AUDITOR
WASHINGTON COUNTY

INTERNAL CONTROLS - COMPLIANCE

A similar comment appeared in prior Report 18580S, entitled *INTERNAL CONTROLS*.

Condition and Context

The County did not have effective internal controls in place to ensure compliance with laws and regulations. The lack of effective internal controls resulted in noncompliance over the following areas as detailed further in the comments below:

- Annual Financial Report - Financial Transactions
- Annual Financial Report - Grant Schedule
- Capital Assets

Internal controls were not designed and/or implemented to ensure compliance with applicable laws and regulations. The noncompliance that occurred as a result of these internal control deficiencies is described in the corresponding comments within this report.

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. . . ."

ANNUAL FINANCIAL REPORT - FINANCIAL TRANSACTIONS

A similar comment appeared in prior Report 84405S, entitled *ANNUAL FINANCIAL REPORT*.

Condition and Context

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units financial reporting system. During the review of the AFR, the following error was noted:

- The Highway Dept Building Loan fund receipts and disbursements were each understated by $1,793,276.

Adjustments were proposed, accepted by the County, and made to the AFR.

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 as set forth in the uniform compliance guidelines. 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."

ANNUAL FINANCIAL REPORT - GRANT SCHEDULE

A similar comment appeared in prior Report 84405S, entitled *ANNUAL FINANCIAL REPORT*.

Condition and Context

The County is required to report financial information and other information in the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The County uploaded the information for the AFR into Gateway; however, the following errors were identified:

The grant information presented in the County's AFR contained the following errors:

- The Crime Victim Assistance program expenditures were overstated by $13,287.

- The State and Community Highway Safety program expenditures were overstated by $9,216.

- The Child Support Services program expenditures were understated by $3,113.

- The Elder Abuse Prevention Interventions program expenditures were overstated by $1,161.

- The Foster Care Title IV-E program expenditures were overstated by $127.

- Minimum Penalties for Repeat Offenders for Driving While Intoxicated, Disaster Grants - Public Assistance (Presidentially Declared Disasters), and the Hazard Mitigation Grant programs were all omitted, resulting in a total understatement of expenditures by $68,670.

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 as set forth in the uniform compliance guidelines. 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."

CAPITAL ASSETS

A similar comment appeared in prior Report 18580S.

Condition and Context

A physical inventory of capital assets for comparison with the capital asset listing has not been conducted in the last two years. In addition, proper procedures were not in place to ensure that assets purchased were added to the County's capital asset listing. During 2025, two pieces of equipment, three computers, eight license plate reader cameras, and four vehicles, totaling $329,090, were purchased and not properly added to the capital asset listing.

Criteria

Every unit must have a capital asset policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detailed 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
WASHINGTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 21, 2026, with Kyra Stephenson, County Auditor; Phillip D. Marshall, President of the Board of County Commissioners; Michele Fleenor, Deputy County Auditor; Todd M. Ewen, County Commissioner; Tony Cardwell, County Commissioner; Brad Gilbert, President of the County Council; Andrew Davisson, County Council member; Preston Shell, County Council member; Mark E. Abbott, County Council member; and Steven P. Langdon, Attorney for the Board of County Commissioners.

BOARD OF COUNTY COMMISSIONERS
WASHINGTON COUNTY

INTERNAL CONTROLS - COMPLIANCE

A similar comment appeared in prior Report 18580S, entitled *INTERNAL CONTROLS*.

Condition and Context

The County did not have effective internal controls in place to ensure compliance with laws and regulations. The lack of effective internal controls resulted in noncompliance over the following areas as detailed further in the comments below:

- Contracts - Noncompliance
- Public Works - Noncompliance with Public Works Statute
- Disbursements - Errors on Claims

Internal controls were not designed and/or implemented to ensure compliance with applicable laws and regulations. The noncompliance that occurred as a result of these internal control deficiencies is described in the corresponding comments within this report.

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.
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> An integral part of the control activity component is segregation of duties. . . .
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> 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. . . ."

CONTRACTS - NONCOMPLIANCE

Condition and Context

The County entered into a Public Private Agreement with Temple & Temple Excavating and Paving, Inc. (Temple & Temple) on August 1, 2023, for the purpose of completing a County Highway Garage Project. During our audit, we noted the following noncompliance.

- The County made a $181,486 payment to Temple & Temple during the audit period that was not included in the agreement. In the agreement, the County was required to furnish stone for installation by the vendor; however, the vendor supplied the stone in contrast to the terms of the contract. The purchase of this stone without a contract was considered noncompliance with the competitive bidding process required by Indiana Code 5-22-7.

- The County made a $113,238 payment to Miller Heating and Cooling, Inc. for purchase and installation of HVAC equipment that was the responsibility of Temple & Temple under the terms of the agreement. The purchase was made without a contract as required by Indiana Code 5-22-8-3 and paid in advance of the work being completed.

- The County paid $312,968 to Hinderliter Construction, Inc. for the purchase and installation of fuel tanks as part of the highway garage project. This was listed as the responsibility of the County in the agreement; however, the purchase was made without following the required bidding process or awarding a contract.

Criteria

Payments made or received for contractual services must be supported by a written contract. Each audited unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Payments for goods and services must not be paid in advance of receipt of the goods or services except as authorized by statute. Payments made for goods or services which are not received by the audited entity may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Indiana Code 5-22-7-2 states:

"(a) A purchasing agent shall issue an invitation for bids.

(b) An invitation for bids must include the following:

(1) A purchase description.

(2) All contractual terms and conditions that apply to the purchase.

(3) A statement of the evaluation criteria that will be used, including any of the following:

(A) Inspection.

(B) Testing.

(C) Quality.

(D) Workmanship.

(E) Delivery.

(F) Suitability for a particular purpose.

(G) The requirement imposed under IC 5-22-3-5.

(4) The time and place for opening the bids.

(5) A statement concerning whether the bid must be accompanied by a certified check or other evidence of financial responsibility that may be imposed in accordance with rules or policies of the governmental body.

(6) A statement concerning the conditions under which a bid may be canceled or rejected in whole or in part as specified under IC 5-22-18-2."

Indiana Code 5-22-7-5(a) states: "The purchasing agency shall give notice of the invitation for bids in the manner required by IC 5-3-1."

Indiana Code 5-22-7-6 states: "The purchasing agency shall open bids publicly in the presence of one (1) or more witnesses at the time and place designated in the invitation for bids."

Indiana Code 5-22-7-7 states:

"Bids must be:

(1) unconditionally accepted without alteration or correction, except as provided in sections 11 through 13 of this chapter; and

(2) evaluated based on the requirements provided in the invitation for bids."

Indiana Code 5-22-7-8 states: "A contract must be awarded with reasonable promptness by written notice to the lowest responsible and responsive bidder."

Indiana Code 5-22-8-3 states:

"(a) This section applies only if the purchasing agent expects the purchase to be:

(1) at least fifty thousand dollars ($50,000); and

(2) not more than one hundred fifty thousand dollars ($150,000).

(b) A purchasing agent may purchase supplies under this section by inviting quotes from at least three (3) persons known to deal in the lines or classes of supplies to be purchased.

(c) The purchasing agent shall mail an invitation to quote to the persons described in subsection (b) at least seven (7) days before the time fixed for receiving quotes.

(d) If the purchasing agent receives a satisfactory quote, the purchasing agent shall award a contract to the lowest responsible and responsive offeror for each line or class of supplies required.

(e) The purchasing agent may reject all quotes.

(f) If the purchasing agent does not receive a quote from a responsible and responsive offeror, the purchasing agent may purchase the supplies under IC 5-22-10-10."

PUBLIC WORKS - NONCOMPLIANCE WITH PUBLIC WORKS STATUTE

Condition and Context

On May 6, 2025, the Board of County Commissioners approved a $1,977,853 bid for a Community Crossings paving project. However, the County did not comply with all of the bidding procedures required by Indiana Code 36-1-12-4 when the cost of a public work project is $150,000 or greater. The Board of County Commissioners' minutes did not document any reason for a lower bidder to be considered not responsive or responsible. The bid award made on May 6, 2025, was later rescinded and an award for $1,899,757 was made to the lowest responsive and responsible bidder on June 10, 2025.

Criteria

Indiana Code 36-1-12-4 states,

"(a) This section applies whenever the cost of a public work project will be at least three hundred thousand dollars ($300,000).

(b) The board must comply with the following procedure:

(1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. If the project involves the resurfacing (as defined by IC 8-14-2-1) of a road, street, or bridge, the specifications must show how the weight or volume of the materials will be accurately measured and verified.

(2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3).

(3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with IC 5-3-1 calling for sealed proposals for the public work needed. If the board receives electronic bids as set forth in subsection (d), the board shall also provide electronic access to the notice of the bid solicitation through the computer gateway administered under IC 4-13.1-2-2(a)(6) by the office of technology.

(4) The notice must specify the place where the plans and specifications are on file and the date fixed for receiving bids.

(5) The period of time between the date of the first publication and the date of receiving bids shall be governed by the size of the contemplated project in the discretion of the board. The period of time between the date of the first publication and receiving bids may not be more than:

(A) six (6) weeks if the estimated cost of the public works project is less than twenty-five million dollars ($25,000,000); and

(B) ten (10) weeks if the estimated cost of the public works project is at least twenty-five million dollars ($25,000,000).

(6) The board shall require the bidder to submit a financial statement, a statement of experience, a proposed plan or plans for performing the public work, and the equipment that the bidder has available for the performance of the public work. The statement shall be submitted on forms prescribed by the state board of accounts.

(7) The board may not require a bidder to submit a bid before the meeting at which bids are to be received. The meeting for receiving bids must be open to the public. All bids received shall be opened publicly and read aloud at the time and place designated and not before. Notwithstanding any other law, bids may be opened after the time designated if both of the following apply:

(A) The board makes a written determination that it is in the best interest of the board to delay the opening.

(B) The day, time, and place of the rescheduled opening are announced at the day, time, and place of the originally scheduled opening.

(8) Except as provided in subsection (c), the board shall:

(A) award the contract for public work or improvements to the lowest responsible and responsive bidder; or

(B) reject all bids submitted.

(9) If the board awards the contract to a bidder other than the lowest bidder, the board must state in the minutes or memoranda, at the time the award is made, the factors used to determine which bidder is the lowest responsible and responsive bidder and to justify the award. The board shall keep a copy of the minutes or memoranda available for public inspection.

(10) In determining whether a bidder is responsive, the board may consider the following factors:

(A) Whether the bidder has submitted a bid or quote that conforms in all material respects to the specifications.

(B) Whether the bidder has submitted a bid that complies specifically with the invitation to bid and the instructions to bidders.

(C) Whether the bidder has complied with all applicable statutes, ordinances, resolutions, or rules pertaining to the award of a public contract.

(11) In determining whether a bidder is a responsible bidder, the board may consider the following factors:

(A) The ability and capacity of the bidder to perform the work.

(B) The integrity, character, and reputation of the bidder.

(C) The competence and experience of the bidder.

(12) The board shall require the bidder to submit an affidavit:

(A) that the bidder has not entered into a combination or agreement:

(i) relative to the price to be bid by a person;

(ii) to prevent a person from bidding; or

(iii) to induce a person to refrain from bidding; and

(B) that the bidder's bid is made without reference to any other bid.

(c) Notwithstanding subsection (b)(8), a county may award sand, gravel, asphalt paving materials, or crushed stone contracts to more than one (1) responsible and responsive bidder if the specifications allow for bids to be based upon service to specific geographic areas and the contracts are awarded by geographic area. The geographic areas do not need to be described in the specifications.

(d) Notwithstanding subsection (b), a board may receive electronic bids for the public work if:

(1) the solicitation for bids indicates the procedure for transmitting the electronic bid to the board; and

(2) the board receives the bid on a facsimile machine or system with a security feature that protects the content of an electronic bid with the same degree of protection as the content of a bid that is not transmitted by a facsimile machine.

(e) A board may select a vendor to provide an electronic platform to accommodate the electronic bidding process."

DISBURSEMENTS - ERRORS ON CLAIMS

Condition and Context

During the testing of disbursements, 2 of the 13 payroll claims tested did not have evidence to support approval by the governing board.

Criteria

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless all of the following apply:

(1) There is a fully itemized invoice or bill for the claim.

(2) The invoice or bill is approved by the officer or person receiving the goods and services.

(3) The invoice or bill is filed with the governmental entity's fiscal officer.

(4) The fiscal officer audits and certifies before payment that the invoice or bill is true and correct.

(5) Payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

BOARD OF COUNTY COMMISSIONERS
WASHINGTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 21, 2026, with Kyra Stephenson, County Auditor; Phillip D. Marshall, President of the Board of County Commissioners; Michele Fleenor, Deputy County Auditor; Todd M. Ewen, County Commissioner; Tony Cardwell, County Commissioner; Brad Gilbert, President of the County Council; Andrew Davisson, County Council member; Preston Shell, County Council member; Mark E. Abbott, County Council member; and Steven P. Langdon, Attorney for the Board of County Commissioners.