

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

AUDIT REPORT  
OF  
COUNTY TREASURER  
SULLIVAN COUNTY, INDIANA  
January 1, 2012 to December 31, 2012



**FILED**  
08/29/2013



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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Beth E. Swalls	01-01-09 to 12-31-16
President of the County Council	Duane Wampler	01-01-12 to 12-31-13
President of the Board of County Commissioners	Tim Abrams Ray McCammon	01-01-12 to 12-31-12 01-01-13 to 12-31-13



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF SULLIVAN COUNTY

We have audited the records of the County Treasurer for the period from January 1, 2012 to December 31, 2012, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Result and Comment. The financial transactions of this office are reflected in the Annual Report of Sullivan County for the year 2012.

STATE BOARD OF ACCOUNTS

August 13, 2013

COUNTY TREASURER  
SULLIVAN COUNTY  
AUDIT RESULT AND COMMENT

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

We noted several deficiencies in the internal control system of the County related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

Bank Account Reconciliations: Monthly reconciliations of the County Treasurer's Health Benefits (Self-Insurance) bank account balances to the County Auditor's Health Benefits (Self-Insurance) Fund account balances were not performed. There was an unreconciled difference at December 31, 2011, of \$243,419 more on the Auditor's fund ledger than the Treasurer's Cash Book and reconciled bank balance. At December 31, 2012, the unreconciled difference increased to \$301,429. The sum of the County's reconciled bank balances do agree in total to the funds ledger balance.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

OMB Circular A-133, Subpart C, section. 300 states in part: "The auditee shall . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section.310."

OMB Circular A-133, Subpart C, section. 310(b) states:

"Schedule of expenditures of Federal awards: The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

COUNTY TREASURER  
SULLIVAN COUNTY  
AUDIT RESULT AND COMMENT  
(Continued)

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision I the Department of Health and Human Services.
- (2) For Federal awards received as a sub-recipient, the name of the pass-through entity and indentifying number assigned by the pass-through entity shall be included.
- (3) Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to sub-recipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

COUNTY TREASURER  
SULLIVAN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 13, 2013, with Beth E. Swalls, Treasurer. The Official Response has been made a part of this report and may be found on pages 7 and 8.

# Beth Swalls

Sullivan County Treasurer

"Proudly Serving Sullivan County"

Beth Swalls, Sullivan County Treasurer

[bethswalls@yahoo.com](mailto:bethswalls@yahoo.com)

August 21, 2013

Indiana State Board of Accounts

302 West Washington St. RM E418

Indianapolis, IN 46204

Re: Sullivan County Treasurer

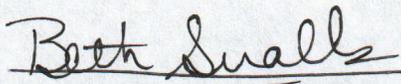
Audit Finding 2012-1

In response to Audit Finding 2012-1, this points out the Treasurer's office failure to make sure that the Employee Health Benefits Fund (5201) matches the total in the Employee Health Benefit Bank Account located in Harris Bank, in Sullivan, IN. I know that internal control in our instance does not mean that money is missing—it just needs to be put into the correct bank to go with the correct fund--

1. After our 2011 audit, the totals between the employee health benefit fund (5201) has a greater amount in it of \$243,418.97 than the Employee Health Benefit bank account has. This was pointed out as a problem to us in 2012. We started checking all quietuses and warrants that were brought to our office to be entered into our cashbook from the auditor's office. When we caught that the wrong fund was with the wrong bank, we would take it back to the auditor's office to be corrected/ our totals were ok up until after December 31, 2010 audit. I should have asked for the adjustments in which we found from 2011 and 2012(after spending a lot of time researching the work that was given to us from the 2011 audit in 2012 ) be done before December 31, 2012; although I thought we could do them all at once instead of making several different adjustment entries through the year(which also made it easier to keep our paper trail at one time of all the quietus's and adjustments which we found), so we did make the adjustments of wrong funds to wrong bank that we were able to go back and find off of the quietus's on January 29, 2013(this allowed us to complete our December 31, 2012 Employee Health Benefit Bank Statement). I understand now that all adjustments should be done in the year in which they occurred if possible. I also couldn't check the totals to see if we matched funds to the bank statement/cashbook because of the mass adjustments to be made (which caused the difference of the amount to be changed from month to month), so once we get this all on track, this will be done monthly—if they do not match, we will be stopping right then and checking out if something was given to us wrong or if we entered something wrong, that we did not catch and research until we match. I never checked the total of the funds to the bank statement in the past/I wasn't aware that we should, because this was not ever off until the 2011 audit. We will go over all quietuses or warrants brought to our office very carefully before being entered into our records. It is so hard to catch everything because of the duties we are required to do also, but we are trying to catch funds to bank mistakes and return them and have them corrected right then. I also believe that part of this problem between the bank totals on the cash book and the employee health benefits fund total is that we started in 2012 doing our paying our warrants for this fund different- I had to take the total of the warrants out of the Harris Employee Health Benefit account and transfer it to the First Financial General account, so the insurance company could eft out the money for all the employee health claims for that period—I honesty do believe that that was a problem for us also and more money got transferred than should have been( we have paper trails as to the moneys that were transferred into the other

bank, but it was so confusing as it was a new process, and there were adjustments which had to be made to try to fix the totals between the warrants and the deposits, and I have no doubt that this caused some of the extra surplus in the General bank account for 2012. I suggested to the auditor that we not use the general account to eft out of, so the insurance company reworked how they suggested that we pay out these claims for our county. We no longer have to worry about that process and both the auditor's office and the treasurer's office is thankful for that.

2. We have worked countless hours on this problem since the 2011 audit was finished in 2012, I am sorry to say on one hand that I didn't think of this idea that I had yesterday after pondering on how we could prove that the extra money was located in our First Financial Bank general account( I do not want this to be an ongoing problem), but happy that we are able to prove that it is definitely in the wrong bank—why this didn't come to me(before yesterday)to do this, I am sorry to say, I do not know and sure wish it did, because perhaps this could have been on the right tract in 2012 if I would have. I took the total in my funds report for December 31, 2012, except the employee health benefits and all the payroll funds and got the total of \$ 6,812,749.83--- then I took the totals of all our cashbook (bank account totals) and our total moneys invested totals that are still in the funds, excluding our payroll bank account and our employee health benefits bank account totals which was \$ 7,471,973.03. I had to subtract our excise total (\$313,469.50), our taxes collected since fall settlement (\$ 132,615.01), our drawer total (\$500.00) from our total of bank accounts (except employee health benefits and our payroll) and got the difference of \$ 212,638.69. there were two adjustments that affected the difference between the funds and the general account that is made in January of 2013 of \$ 33,622.72 and \$ 45,405.02 and after that is made we have a difference in the First Financial Bank general account of \$ 311,192.49 and if you take the amount that they say we are off because of the adjustments and the quietus's that we were not able to catch prior to the closing of the year end account balances, this is \$ 9,763.03 off/ which proves that the \$ 301,429.46 should be transferred from our bank # 6 (First Financial Bank General account) to our Bank #5 (Harris Employee Health Benefit) account. I regret not putting this together previously—I WILL guarantee you that I will not only balance the employee health benefits to the bank account, but I WILL also balance the general overall funds to the bank statements.
3. I know that the total money is accounted for, but I did hope that this would work itself out after spending a lot of hours on trying to find the wrong funds and bank numbers given to us, but it did not—I will present the paper trail that I have now, to recommend that we are able to transfer this money from wrong bank account to right bank account—we will be even more observant on finding these corrections that need to be made prior to entry being entered ( I realize that we are not perfect and we have worked hard since the last part of 2012 to find these mistakes, but I don't believe that the same problems will be an issue if I am allowed to transfer the moneys)
4. I, as an elected official, took an oath that I could perform the required duties to the best of my ability and I do regret that this has happened and will not be completely corrected until our 2013 audit, but I do intend to correct what needs to be corrected and have this issue working right, if I can get permission to transfer funds between our banks.

  
Sullivan Co Treasurer

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