

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

FULTON COUNTY, INDIANA

January 1, 2013 to December 31, 2013



**FILED**  
06/27/2014



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
County Auditor:	
Federal Findings:	
2013-001 - Internal Controls Over the Schedule of Federal Awards.....	6
2013-002 - Internal Controls Over Compliance Requirements That Have a Direct and Material Effect to ARRA - Federal Transit-Capital Investment Grants, Recovery Act .....	7
2013-003 - Subrecipient Monitoring.....	8-9
Corrective Action Plan .....	10-11
Audit Result and Comment:	
County Settlement.....	12
Exit Conference .....	13

## SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Judith A. Reed	01-01-13 to 12-31-16
Treasurer	Lorie L. Hurst	01-01-13 to 12-31-16
Clerk	Letty McKee	01-01-11 to 12-31-14
Sheriff	Walker Conley	01-01-11 to 12-31-14
Recorder	Cathy Ginther	01-01-11 to 12-31-14
President of the Board of County Commissioners	Mark J. Rodriguez (Vacant) Roger D. Rose	01-01-13 to 06-22-13 06-23-13 to 08-11-13 08-12-13 to 12-31-14
President of the County Council	James Widman	01-01-13 to 12-31-14



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF FULTON COUNTY, INDIANA

This report is supplemental to our audit report of Fulton County (County), for the period from January 1, 2013 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the County, which provides our opinions on the County's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Result and Comment as described below.

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 Result and Comment contained herein describes the identified reportable instance 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 Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

April 28, 2014

(This page intentionally left blank.)

COUNTY AUDITOR  
FULTON COUNTY

COUNTY AUDITOR  
FULTON COUNTY  
FEDERAL FINDINGS

**FINDING 2013-001 - INTERNAL CONTROLS OVER THE SCHEDULE OF FEDERAL AWARDS**

The County has not designed a proper system of internal control, which would include segregation of duties, related to the preparation of the Schedule of Expenditures of Federal Awards (SEFA). The County Auditor independently prepares the SEFA for inclusion in the financial report without oversight, review, or approval. A lack of segregation of duties within an internal control system could allow material misstatements of the SEFA to remain undetected. A proper system of internal controls would include segregation of duties by having a proper oversight, review or approval process and would allow the County to prevent, or detect and correct, errors on the SEFA in a timely manner.

The SEFA presented for audit did not include federal expenditures of \$86,015. Audit adjustments were proposed, accepted by the County, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

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 in part:

"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:

- (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 in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available."



COUNTY AUDITOR  
FULTON COUNTY  
FEDERAL FINDINGS  
(Continued)

***FINDING 2013-002 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO ARRA - FEDERAL TRANSIT-CAPITAL INVESTMENT GRANTS, RECOVERY ACT***

Federal Agency: Department of Transportation  
Federal Program: ARRA - Federal Transit-Capital Investment Grants, Recovery Act  
CFDA Number: 20.500  
Federal Award Number: ARRA-A249-10-321071  
Pass-Through Entity: Indiana Department of Transportation

Management of the County has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Cash Management compliance requirement that has a direct and material effect on the program. The failure to establish an effective internal control system places the County at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

The County had not executed an agreement with the subrecipient of these grant funds outlining their responsibilities for compliance. Although the County EMA Director had been appointed to oversee the project of the subrecipient, the Executive Director of the subrecipient signed and submitted the requests for reimbursement to the Indiana Department of Transportation. The requests for reimbursement were submitted without review by the County. Segregation of duties, such as an oversight, review, or approval process, has not been established.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the County.

We recommended that the County's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements that have a direct and material effect on the program.

COUNTY AUDITOR  
FULTON COUNTY  
FEDERAL FINDINGS  
(Continued)

**FINDING 2013-003 - SUBRECIPIENT MONITORING**

Federal Agency: Department of Transportation  
Federal Program: ARRA - Federal Transit-Capital Investment Grants, Recovery Act  
CFDA Number: 20.500  
Federal Award Number: ARRA-A249-10-321071  
Pass-Through Entity: Indiana Department of Transportation

Management of the County has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Subrecipient Monitoring compliance requirement that has a direct and material effect on the program. The failure to establish an effective internal control system places the County at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

The County has not executed an agreement with the subrecipient of these grant funds outlining their responsibilities for compliance. Although the County EMA Director had been appointed to oversee the project of the subrecipient, there was no oversight to ensure that he monitored the activities of the subrecipient. Segregation of duties, such as an oversight, review, or approval process, has not been established.

Due to the lack of internal controls, the County did not comply with the Subrecipient Monitoring requirements. They did not adequately monitor the construction of the subrecipient's "Transpo Garage" financed with this grant. The County did not perform on-site visits or receive any other information that would ensure that the subrecipient was properly following the guidelines of the grant agreement or the compliance requirements.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

OMB Circular A-133, Subpart D, section .400(d) states in part:

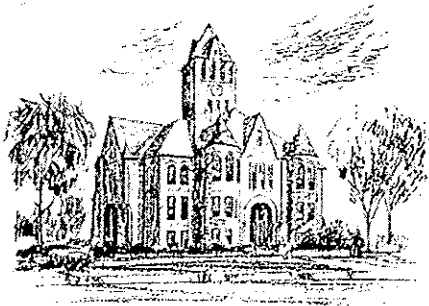
"A pass-through entity shall perform the following for the Federal awards it makes: . . .

- (2) Advise subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity.
- (3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- (4) Ensure that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year."

COUNTY AUDITOR  
FULTON COUNTY  
FEDERAL FINDINGS  
(Continued)

The failure to monitor the subrecipient was noncompliance with the grant agreement and the compliance requirements that have a direct and material effect on the program and could result in the loss of federal funds to the County.

We recommended that the County's management establish procedures to ensure compliance and to comply with the Subrecipient Monitoring requirement that has a direct and material effect on the program.



## FULTON COUNTY AUDITOR'S OFFICE

JUDITH A. REED, AUDITOR  
125 E 9<sup>TH</sup> ST., SUITE 108  
ROCHESTER, IN 46975  
PHONE: 574-223-2912  
FAX: 574-223-2211  
EMAIL: [fcaudit@rtcol.com](mailto:fcaudit@rtcol.com)

**April 28, 2014**

### FINDING 2013-001 INTERNAL CONTROLS OVER SEFA

The management of Fulton County has reviewed the Financial Statement Finding related to their audit for the year 2013 and we offer the following corrective actions.

The Auditor's Office has a procedure and policy manual that was adopted by the Commissioners in October of 2013. We now have spreadsheets made for each active grant. This will help prevent missing any Federal money received or expensed for the SEFA schedule.

FINDING 2013-001--INTERNAL CONTROLS OVER THE SCHEDULE OF FEDERAL AWARDS. Spreadsheets have been set up to document all receipts and expenditures for each active grant for Fulton County. Controls are in place for receipting, disbursing, recording, and account for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making.

### FINDING 2013-002-INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO ARRA-FEDERAL TRANSIT-CAPITAL INVESTMENT GRANTS

Federal Agency: U.S. DEPARTMENT OF TRANSPORTATION

Federal Program: Federal Transit cluster

CFDA Number: 20.500 Federal Award Number and Year (or Other Identifying Number): ARRA-A249-10-32107

Pass-Through Entity: Indiana Department of Transportation

Fulton County Auditor has discussed this grant with the Director of Council on Aging and have a system in place to review, approve and sign the draw down request for each distribution. Internal control system is now in place.

### FINDING 2013-003 -- SUB-RECIPIENT MONITORING

Federal Agency: U.S. DEPARTMENT OF TRANSPORTATION

Federal Program Federal Transit Cluster

CFDA NUMBER: 20.500

Federal Award Number and Year ( or Other Identifying Number): FY 2010-2013

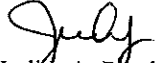
Pass-Through Entity: Indiana Department of Transportation

The Commissioner President at the time of applying for the grant appointed a representative to the board to oversee and check the progress of the work required for this grant. The policy and procedures in place now, the Commissioners and Auditor are aware of the responsibility to monitor and document and make sure that the grant requirements are followed.

The management of Fulton County has reviewed the Federal Award Finding and Questioned Costs related to their audit for the year 2012 and we offer the following corrective action.

Lack of Segregation of Duties: The Auditor's office has reviewed their office procedures and has developed and implement an internal control structure designed to insure compliance with the grant agreement provisions and the applicable federal compliance requirements that have a direct and material effect to the program.

Respectfully submitted,



Judith A. Reed  
Fulton County Auditor

COUNTY AUDITOR  
FULTON COUNTY  
AUDIT RESULT AND COMMENT

**COUNTY SETTLEMENT**

The County has not implemented the new chart of accounts for Counties that went into effect on January 1, 2012. A uniform settlement fund, number 6000, was to be established; however, that fund has not been created. In addition, the CAGIT distribution fund, numbered 6001, should have been numbered 7311 based on the chart of accounts.

The County also did not disburse all monies receipted into the LOIT Public Safety fund (6005), which is a settlement fund. At December 31, 2013, fund 6005 had an ending balance of \$35,912.06.

All counties must implement the use of the new chart of accounts by January 1, 2012. (County Bulletin, January 2011, Vol No. 376, pg 3)

A chart of accounts is a listing of account titles, with numerical symbols, employed in the compilation of financial data. It also serves to facilitate processing of claims, warrants and other documents and as a convenience in posting ledgers.

A numerical coding system has been established for use in accounting for funds, revenues, appropriations and expenditures, which is adaptable to all counties having a manual or mechanized accounting system, as distinguished from electronic data processing. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 5)

COUNTY AUDITOR  
FULTON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on April 28, 2014, with Judith A. Reed, Auditor; Roger D. Rose, President of the Board of County Commissioners; and James Widman, President of the County Council.