

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SULLIVAN COUNTY, INDIANA

January 1, 2013 to December 31, 2013



**FILED**  
03/06/2015



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Brenda S. Howard	01-01-11 to 12-31-18
County Treasurer	Beth E. Swalls	01-01-13 to 12-31-16
Clerk of the Circuit Court	Peggy Goodman	01-01-11 to 12-31-18
County Sheriff	Bryan L. Kinnett Clark Cottom	01-01-11 to 12-31-14 01-01-15 to 12-31-18
County Recorder	Shelly Hiatt Paris	01-01-11 to 12-31-18
President of the Board of County Commissioners	Ray McCammon	01-01-13 to 12-31-15
President of the County Council	Duane Wampler	01-01-13 to 12-31-15



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF SULLIVAN COUNTY, INDIANA

This report is supplemental to our audit report of Sullivan 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 Results and Comments 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 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 Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

January 8, 2015

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COUNTY AUDITOR  
SULLIVAN COUNTY

COUNTY AUDITOR  
SULLIVAN COUNTY  
FEDERAL FINDING

**FINDING 2013-001 - INTERNAL CONTROLS OVER REPORTING**

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

1. Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the County's audited financial statement and then determining how those identified risks should be managed. The County has not identified risks to the preparation of a reliable financial statement and, as a result, has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement. The financial information entered into the Annual Financial Report was used to compile the financial statement. The Annual Financial Report for 2013 was overstated by \$3,000,000. This error was a result of the County Auditor including "total monies on deposit" as a separate fund. The invested amounts were already included in the cash and investment balances of each individual fund.
2. The County did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The County should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted that three grants were not reported on the SEFA; their expenditures totaled \$30,722. The Child Support Enforcement program expenditures were overstated by \$2,814 and were not properly detailed as to type of expenditure.

Audit adjustments were proposed, accepted by the County, and made to the financial statement and SEFA presented in this report.

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 County Auditors of Indiana, Chapter 14)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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."

COUNTY AUDITOR  
SULLIVAN COUNTY  
FEDERAL FINDING  
(Continued)

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:

- (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 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 subrecipients 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."

**Brenda S. Howard**  
**Sullivan County Auditor**

100 Courthouse Square, Room 202  
Sullivan, Indiana 47882-1565  
Phone: 812-268-4491  
Fax: 812-268-3612

Corrective Action Plan

January 8, 2015

Finding 2013-001-Internal Controls Over Reporting

Contact Person Responsible for Corrective Action:  
Brenda S. Howard, Sullivan County Auditor  
Contact Phone Number 812-268-4491  
Anticipated Completion Date: January 8, 2015

Corrective Action Plan:

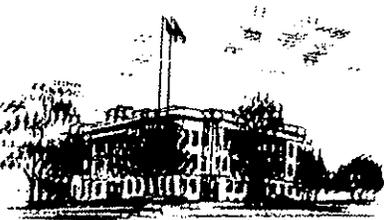
Will review Gateway entry before we do the final Submission and also proof read all of it so that we are sure everything is O.K.

The Auditor's Office will work to develop proper means to accurately track the schedule of Expenditures of Federal Awards ( SEFA ) for Sullivan County, including the CFDA numbers, the amounts received and disbursed, and the Federal Agency and program. This may be done in the form of an electronic spreadsheet.

The Auditor's Office will reach out to those offices and departments who apply for and obtain Federal grant funds and compare this to the Federal Grants site in order to better maintain an accurate reporting of these Federal grant awards.

Respectfully yours,

*Brenda S. Howard*  
Brenda S. Howard  
Sullivan County Auditor



Sullivan County Courthouse

COUNTY AUDITOR  
SULLIVAN COUNTY  
AUDIT RESULTS AND COMMENTS

**FUND SOURCES AND USES**

Fund 1113 is being used incorrectly as the CEDIT Distribution fund. Fund 7312 should be used to account for the CEDIT distributions to the County fund and other local governments. The CEDIT Distribution fund is to be used as a clearing fund and should have a zero balance; however, the CEDIT Distribution fund had a balance of \$583.50 on December 12, 2012, and \$505.29 on December 31, 2013. A balance in a distribution fund can be an indication that not all distributions have been properly remitted to the County fund or to other local governments.

Indiana Code 6-3.5-7-16 states:

- "(a) The county auditor shall timely distribute the certified distributions received under section 12 of this chapter to each city and town that is a recipient of a certified distribution.
- (b) A distribution is considered to be timely made if the distribution is made not later than ten (10) working days after the date the county treasurer receives the county's certified distribution under section 12 of this chapter."

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 County Auditors of Indiana, Chapter 14)

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

**APPROPRIATIONS**

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

COUNTY AUDITOR  
SULLIVAN COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Fund	Year	Excess Amount Expended
Aviation	2013	\$ 6,716
Ambulance	2013	9,031
Highway	2013	9,031

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

**SETTLEMENT FUND**

A Settlement fund (No. 6000) was not used by the County Auditor for the year 2013.

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 County Auditors of Indiana, Chapter 14)

All counties must implement the use of the new chart of accounts by January 1, 2012. (The County Bulletin and Uniform Compliance Guidelines, Vol. No. 376, page 3)

The deadline has been extended to January 1, 2013. (The County Bulletin and Uniform Compliance Guidelines, Vol. No. 381, page 11, Q&A #5)

COUNTY AUDITOR  
SULLIVAN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on January 8, 2015, with Brenda S. Howard, County Auditor.

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COUNTY TREASURER  
SULLIVAN COUNTY

COUNTY TREASURER  
SULLIVAN COUNTY  
AUDIT RESULT AND COMMENT

***EXCISE, SURTAX, AND WHEEL TAX***

The Vehicle License Excise Tax line on the Treasurer's Cash Book includes excise tax collections and both surtax and wheel tax collections.

Indiana Code 6-3.5-4-13(a) states: "In the case of a county that does not contain a consolidated city of the first class, the county treasurer shall deposit the surtax revenues in a fund to be known as the '\_\_\_\_\_ County Surtax Fund.'"

Indiana Code 6-3.5-5-15(a) states: "In the case of a county that does not contain a consolidated city, the county treasurer shall deposit the wheel tax revenues in a fund to be known as the 'County Wheel Tax Fund.'"

The treasurer's receipt should be issued for the excise tax and it is entered to the excise tax account in the Other Sources Section of the Cashbook. In the counties where wheel tax and surtax have been adopted, the wheel tax and surtax is deposited by quietus to the county auditor's wheel tax/surtax fund or the individual funds each. (The County Bulletin and Uniform Compliance Guidelines, April 2014)

COUNTY TREASURER  
SULLIVAN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on January 8, 2015, with Beth E. Swalls, County Treasurer.

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CLERK OF THE CIRCUIT COURT  
SULLIVAN COUNTY

CLERK OF THE CIRCUIT COURT  
SULLIVAN COUNTY  
FEDERAL FINDING

**FINDING 2013-002 - INTERNAL CONTROLS AND COMPLIANCE  
OVER ALLOWABLE COSTS/COST PRINCIPLES**

Federal Agency: Department of Health and Human Services  
Federal Program: Child Support Enforcement  
CFDA Number: 93.563  
Federal Award Number and Year (or Other Identifying Number): Expenditures for 2013  
Pass-Through Entity: Indiana Department of Child Services

Management of the County has not established an effective internal control system over compliance requirements relating to Allowable Costs/Cost Principles. The failure to establish an effective internal control system places the County at risk of possible noncompliance with the grant agreement and the compliance requirements.

An internal control system, should be designed and operate effectively to provide reasonable assurance that noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis.

The County was required to maintain time and effort reports on all full and part-time employees paid from the grant. The Indiana Department of Child Services has a report titled "Record of Monthly Time, State Form 45272 (3-92)/DFC Form 918." This form provides a space for employees to enter hours worked each day during the month and a place for them to sign certifying that the time reported represents only Title IV-D work and that the time reported is true and correct. The Clerk of the Circuit Court's Office did not maintain the time and effort reports certifying that the time reported was true and correct.

OMB Circular A-87, Attachment B, item 8h, states in part:

- "(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.
- (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency.  
. . ."

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."

Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the County.

We recommended that the County's management establish controls and procedures to ensure compliance with the Allowable Costs/Cost Principles requirement.



Sullivan County Courthouse Sullivan, Indiana

*Peggy Goodman*

Clerk of Sullivan County  
Circuit and Superior Court  
P.O. Box 370  
Sullivan, Indiana 47882-0370

Phone: 812-268-4657

January 8, 2015

Corrective Action Plan for:

2013-002 Internal Controls and Compliance Over Allowable Costs/Cost Principles

Description of Corrective Plan:

All employees shall now sign both the payroll sheets submitted to Malinowski Consulting and the Record of Monthly Time , State Form 45272(3-92)/DFC Form 918 as of September, 2014.

Contact Person Responsible for Corrective Action: Peggy Goodman

Contact Phone Number: 812-268-4657

*Peggy Goodman*  
(Signature)

Clerk  
(Title)

January 8, 2015  
(Date)

CLERK OF THE CIRCUIT COURT  
SULLIVAN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on January 8, 2015, with Peggy Goodman, Clerk of the Circuit Court.