

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SULLIVAN COUNTY, INDIANA

January 1, 2014 to December 31, 2015



FILED
04/10/2017

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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 Janna J. Johnson	01-01-13 to 12-31-16 01-01-17 to 12-31-20
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 Robert A. Davis	01-01-14 to 12-31-16 01-01-17 to 12-31-17
President of the County Council	Duane Wampler	01-01-14 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF SULLIVAN COUNTY, INDIANA

This report is supplemental to our examination report of Sullivan County (County), for the period from January 1, 2014 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement Examination Report of the County, which provides our opinion 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 Examination 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 Examination Results and Comments, incorporated within this report, was not verified for accuracy.

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

February 28, 2017

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COUNTY AUDITOR
SULLIVAN COUNTY

COUNTY AUDITOR
SULLIVAN COUNTY
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

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

Fund	Year	Excess Amount Expended
2015 Reassessment	2014	\$ 24,588
Local Road & Street	2014	29,511

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."

ANNUAL FINANCIAL REPORT

The Annual Financial Reports (AFRs) submitted in the Gateway Reporting system were the basis for the County's 2014 and 2015 financial statements. The AFRs contained a number of errors and did not properly reflect the financial activity of the County. The financial statements included the following errors:

- The After Settlement Fund had the correct beginning balance, but no receipts or disbursements were reported for 2014 or 2015.
- General fund receipts and disbursements were each overstated \$1,487,961 in 2014 due to a bank transfer being reported as receipts and disbursements.
- Settlement Fund receipts and disbursements were each understated \$3,711,188 in 2014.
- Highway 54 fund reported receipts of \$250,000 for a certificate of deposit already included in the beginning balance for 2015.
- Landfill Post Closure Trust fund reported receipts of \$436,529 in 2015. This created a duplication of the Landfill Post Closure Trust fund already included in the financial statement.

COUNTY AUDITOR
SULLIVAN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

- Receipt and disbursement transactions for the Clerk Support fund were not reported in 2014.
- Several other funds had immaterial errors reported in receipts and disbursements in both years.

Audit adjustments were proposed, accepted by management, and made to the financial statements. Adjustments made in total to the 2014 receipts, disbursements, and ending balance, respectively, were \$3,124,342, \$2,772,542, and \$351,800. Adjustments made in total to the 2015 beginning balance, receipts, disbursements, and ending balance, respectively, were \$351,000, (\$150,958), \$554,699, and (\$353,857).

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."

RECONCILEMENT BETWEEN COUNTY TREASURER AND COUNTY AUDITOR

The County Treasurer's and County Auditor's Ledgers did not agree. At December 31, 2015, the County Treasurer's Ledger balance was \$3,949 more than the County Auditor's balance.

At the close of each calendar month a Monthly Financial Statement, County Form No. 61, shall be prepared, showing the financial transactions for the month and year to date, for each fund and in total.

The county treasurer is also required to independently prepare a Monthly Financial Statement on the same form and the two statements must be reconciled. If any differences exist between the records of the auditor and the treasurer, they must be identified and immediate steps taken to bring the records of the two offices into agreement.

The statements are prescribed to be placed in a post-binder and shall be carefully preserved as a permanent record. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

COUNTY AUDITOR
SULLIVAN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 28, 2017, with Brenda S. Howard, County Auditor; Diana Ross, First Deputy County Auditor; Duane Wampler, President of the County Council; and Robert A. Davis, President of the Board of County Commissioners.

COUNTY TREASURER
SULLIVAN COUNTY

COUNTY TREASURER
SULLIVAN COUNTY
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the Ledger to the County Treasurer's bank account balances were conducted; however, the reconciliations contained the following errors.

- Several errors were noted on the outstanding check lists used for the end of year depository reconcilements. The errors included checks that had already cleared the bank and duplicate check numbers and amounts. The outstanding check lists originally used by the County Treasurer for reconciling purposes was overstated by \$102,849 and \$1,839, respectively, for the December 31, 2014 and 2015 reconcilements.
- The deposits in transit amounts were incorrect and were not supported by a software generated listing. The detail of the deposits in transit was not readily available and had to be researched by the former County Treasurer.
- Some checks had cleared the bank before their issue date.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

RECONCILEMENT BETWEEN COUNTY TREASURER AND COUNTY AUDITOR

The County Treasurer's and County Auditor's Ledgers did not agree. At December 31, 2015, the County Treasurer's Ledger balance was \$3,949 more than the County Auditor's balance.

The Monthly Financial Statement, Form 61, is a permanent record prepared from the treasurer's funds ledger at the close of each month. It is prepared after all postings to the ledger have been completed for the month and reflects the total receipts and disbursements and the balance for each fund for the month and for the year to date. The statement must agree with a similar statement kept by the county auditor, giving consideration to any adjustments required to reconcile the ledgers of the two offices. (Accounting and Uniform Compliance Guidelines Manual for Treasurers of Indiana, Chapter 5)

COUNTY TREASURER
SULLIVAN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 28, 2017, with Beth E. Swalls, former County Treasurer; Janna J. Johnson, County Treasurer; Brenda S. Howard, County Auditor; Diana Ross, First Deputy County Auditor; Duane Wampler, President of the County Council; and Robert A. Davis, President of the Board of County Commissioners.

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COUNTY SHERIFF
SULLIVAN COUNTY

COUNTY SHERIFF
SULLIVAN COUNTY
EXAMINATION RESULT AND COMMENT

SHERIFF'S COMMISSARY SEMIANNUAL REPORTS

The Sheriff does not provide semiannual reports of receipts and disbursements of the Commissary Fund to the county fiscal body.

Indiana Code 36-8-10-21 states in part:

"(a) This section applies to any county that has a jail commissary that sells merchandise to inmates.

(b) A jail commissary fund is established, referred to in this section as 'the fund'. The fund is separate from the general fund, and money in the fund does not revert to the general fund. . . .

(e) The sheriff shall maintain a record of the fund's receipts and disbursements. The state board of accounts shall prescribe the form for this record. The sheriff shall semiannually provide a copy of this record of receipts and disbursements to the county fiscal body. The semiannual reports are due on July 1 and December 31 of each year."

COUNTY SHERIFF
SULLIVAN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 28, 2017, with Clark Cottom, County Sheriff; Brenda S. Howard, County Auditor; Diana Ross, First Deputy County Auditor; Duane Wampler, President of the County Council; and Robert A. Davis, President of the Board of County Commissioners; and on March 1, 2017, with Bryan L. Kinnett, former County Sheriff.

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BOARD OF COUNTY COMMISSIONERS
SULLIVAN COUNTY

BOARD OF COUNTY COMMISSIONERS
SULLIVAN COUNTY
EXAMINATION RESULT AND COMMENT

ORDINANCES AND RESOLUTIONS

The County has no ordinance or policy concerning: bad debts and uncollectible accounts for Ambulance Services; travel claims for reimbursement of mileage; contracts and or agreements.

In addition, the County is using credit cards to purchase items without an approved credit card policy.

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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

1. The governing body 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 must 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.
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)

BOARD OF COUNTY COMMISSIONERS
SULLIVAN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 28, 2017, with Robert A. Davis, President of the Board of County Commissioners; Brenda S. Howard, County Auditor; Diana Ross, First Deputy County Auditor; and Duane Wampler, President of the County Council.