

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

PULASKI COUNTY, INDIANA

January 1, 2014 to December 31, 2016



**FILED**  
09/15/2017



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Shelia K. Garling Laura M. Wheeler	01-01-13 to 12-31-16 01-01-17 to 12-31-20
County Treasurer	Lynnette Wilder Teresa L. Bryant	01-01-13 to 11-01-16 11-02-16 to 12-31-20
Clerk of the Circuit Court	Tasha L. Foerg Christina L. Hoffa	01-01-11 to 12-31-15 01-01-16 to 12-31-18
County Sheriff	Michael L. Gayer Jeffery K. Richwine	01-01-11 to 12-31-14 01-01-15 to 12-31-18
County Recorder	Christina L. Hoffa Susan J. Fox	01-01-13 to 12-31-15 01-01-16 to 12-31-20
President of the Board of County Commissioners	Larry L. Brady Terry L. Young Kenneth R. Becker	01-01-14 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17
President of the County Council	Jerry G. Sullivan	01-01-14 to 12-31-17



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF PULASKI COUNTY, INDIANA

This report is supplemental to our examination report of Pulaski County (County), for the period from January 1, 2014 to December 31, 2016. 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 Statements Examination Report of the County, which provides our opinion on the County's financial statements. This report may be found at [www.in.gov/sboa/](http://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

July 20, 2017

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COUNTY AUDITOR  
PULASKI COUNTY

COUNTY AUDITOR  
PULASKI COUNTY  
EXAMINATION RESULTS AND COMMENTS

***INTERNAL CONTROLS***

Internal controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. The County did not have segregation of duties in place for the areas of the Financial Close and Reporting and Notes to the Financial Statements. One person created and submitted the Annual Financial Reports and approved the Notes to the Financial Statements without any controls to ensure that the reports were accurate prior to submission.

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. . . ."

COUNTY AUDITOR  
PULASKI COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**ANNUAL FINANCIAL REPORTS**

The County's Annual Financial Reports (AFR) within the Gateway system, which were used to generate the County's financial statements for 2014, 2015, and 2016, contained errors and did not properly reflect the financial activity of the County.

These errors were as follows:

1. The County Recorder (Recorder) submitted its financial transactions to the County Auditor (Auditor) each month. The Auditor included these transactions in the funds ledger and reported them in the AFRs. However, these same transactions and cash and investment balances were reported again in a separate fund in the AFRs. This overstated the beginning balances on the financial statements by \$75, \$4,153, and \$4,421 for 2014, 2015, and 2016, respectively. In addition, the Recorder's receipts were overstated by \$51,888 and \$51,848, and disbursements were overstated by \$51,620 and \$52,289, for 2015 and 2016, respectively.
2. The Payroll Withholdings fund receipts and disbursements were understated by \$2,233,546 for 2015.

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

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."

# AUDITOR PULASKI COUNTY

**LAURA WHEELER**

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July 28, 2017

To Whom It May Concern;

In response to the State Board of Accounts Audit findings for the years 2014, 2015, and 2016, we believe that the underreported Payroll Withholdings receipts and disbursements of 2,233,546 is an error stemming from a software transition. New accounting software was implemented in December 2015 and when the new software information was uploaded to the State Board of Accounts through Gateway part of the payroll information was missing. This caused the reported information to appear underreported.

Sincerely,



Laura Wheeler  
Pulaski County Auditor.

COUNTY AUDITOR  
PULASKI COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on July 20, 2017, with Laura M. Wheeler, County Auditor; Kenneth R. Becker, President of the Board of County Commissioners; Jerry Locke, Commissioner; and Jerry G. Sullivan, President of the County Council.

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CLERK OF THE CIRCUIT COURT  
PULASKI COUNTY

CLERK OF THE CIRCUIT COURT  
PULASKI COUNTY  
EXAMINATION RESULT AND COMMENT

**INTERNAL CONTROLS**

Internal controls over the receipting, disbursing, recording, and accounting for the financial activities of the Clerk of the Circuit Court (Clerk) were insufficient. The Clerk did not have segregation of duties in place for the monthly and Annual Financial Reports that were submitted to the County Auditor. The County Auditor used these reports to compile the County's Annual Financial Reports which were submitted through the Gateway system and used to generate the County's financial statements for 2014, 2015, and 2016.

The Deputy Clerk of the Circuit Court (Deputy Clerk) created the monthly and Annual Financial Reports and stamped the Clerk's signature on the report. The Clerk does not review the reports that are created by the Deputy Clerk.

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. . . ."

CLERK OF THE CIRCUIT COURT  
PULASKI COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on July 20, 2017, with Christina L. Hoffa, Clerk of the Circuit Court; Kenneth R. Becker, President of the Board of County Commissioners; Jerry Locke, Commissioner; and Jerry G. Sullivan, President of the County Council.

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COUNTY TRANSFER STATION  
PULASKI COUNTY

COUNTY TRANSFER STATION  
PULASKI COUNTY  
EXAMINATION RESULT AND COMMENT

***INTERNAL CONTROLS***

Internal controls over the receipting, disbursing, recording, and accounting for the financial activities of the County Transfer Station were insufficient. The County Transfer Station did not give each individual a prenumbered ticket or receipt for weighed products brought in. A log sheet was kept for truck weights and cash or checks received. When consumers brought trash in by the bag, a fee was charged and cash or checks were placed in a drawer. Receipts were not issued and a cash register was not in use to account for daily collections.

A similar comment also appeared in prior Reports B40599, B42394, and B44462.

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:

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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. . . ."

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY TRANSFER STATION  
PULASKI COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on July 20, 2017, with Bradley J. Bonnell, County Transfer Station Director; Edward Clark, prior County Transfer Station Director; Kenneth R. Becker, President of the Board of County Commissioners; Jerry Locke, Commissioner; and Jerry G. Sullivan, President of the County Council.