

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

FULTON COUNTY, INDIANA

January 1, 2016 to December 31, 2017



FILED
02/04/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
County Auditor:	
Audit Result and Comment:	
Financial Transactions and Reporting	6-7
Exit Conference	8
Board of County Commissioners:	
Audit Result and Comment:	
Disbursements	10
Exit Conference	11
County Treasurer:	
Audit Result and Comment:	
Bank Account Reconciliations.....	14
Exit Conference	15
Clerk of the Circuit Court:	
Audit Result and Comment:	
Internal Controls over Financial Transactions	18
Exit Conference	19

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Judith A. Reed Christina Sriver	01-01-13 to 12-31-16 01-01-17 to 12-31-20
County Treasurer	Lorie L. Hurst Katherine L. Easterday	01-01-13 to 12-31-16 01-01-17 to 12-31-20
Clerk of the Circuit Court	Teresa M. Furnivall	01-01-15 to 12-31-22
President of the Board of County Commissioners	Sherry S. Fulton Bryan W. Lewis	01-01-16 to 12-31-17 01-01-18 to 12-31-19
President of the County Council	Gary L. Sriver James L. Widman Phyl Olinger	01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2016 to December 31, 2017. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement Audit 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 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 Official Response to the Audit Results and Comments, incorporated within this report was not verified for accuracy.

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

January 28, 2019

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COUNTY AUDITOR
FULTON COUNTY

COUNTY AUDITOR
FULTON COUNTY
AUDIT RESULT AND COMMENT

FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in the prior Report B47012, entitled *ANNUAL FINANCIAL REPORT*.

There were deficiencies in the internal control system of the County related to financial transactions and reporting. The County had not implemented adequate segregation of duties as it had not separated incompatible activities related to receipts, fringe benefit disbursements, and financial reporting.

Receipts

The County did not have controls in place to ensure the accuracy of the receipts. One individual recorded the receipts in the ledger without oversight or review.

Disbursements - Fringe Benefits

The County did not have controls in place to ensure the accuracy of the disbursements of fringe benefits. One employee recorded and paid the County's share of fringe benefits, such as payments to the Public Employee Retirement Fund, Long Term Disability, and the County's share of Social Security and Medicare, without oversight or review. In addition, these disbursements were not included on the claims docket and were not certified by the County Auditor or approved by the Board of County Commissioners.

Financial Reporting

One employee prepared and submitted the County's financial information into the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Report and financial statement, without an oversight, review, or approval process.

Due to the lack of internal controls, the Annual Financial Report and financial statement had the following errors:

1. The Treasurer's After Settlement Collections fund receipts and disbursements were overstated by \$21,774,956 for 2016, and receipts were overstated by \$775,913 for 2017.
2. A Sheriff Cashbook fund was included as a separate fund on the financial statement for both 2016 and 2017; however, the transactions were already included with another fund.
3. The Transpo - 5311 Federal Grant \$ fund included state receipts and disbursements, which were already included with another fund.

COUNTY AUDITOR
FULTON COUNTY
AUDIT RESULT AND COMMENT
(Continued)

Audit adjustments were proposed, accepted by the County and made to the financial statement.

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. . . ."

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

COUNTY AUDITOR
FULTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on January 28, 2019, with Christina Sriver, County Auditor; Judith A. Reed, former County Auditor; Bryan W. Lewis, President of the Board of County Commissioners; Rick Ranstead, County Commissioner; Steve Metzger, County Commissioner; Phyl Olinger, President of the County Council; Lorie L. Hurst, County Council member; Barry Hazel, County Council member; Ron Dittman, County Council member; and Randy L. Sutton, County Council member.

BOARD OF COUNTY COMMISSIONERS
FULTON COUNTY

BOARD OF COUNTY COMMISSIONERS
FULTON COUNTY
AUDIT RESULT AND COMMENT

DISBURSEMENTS

There were deficiencies in the internal control system of the County related to disbursements. The County had not implemented adequate controls related to fringe benefit disbursements.

There was no oversight or review for the County's share of fringe benefits, such as payments to the Public Employee Retirement Fund, Long Term Disability, and the County's share of Social Security and Medicare. In addition, these disbursements were not included on the claims docket and were not certified by the County Auditor or approved by the Board of County Commissioners.

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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". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

BOARD OF COUNTY COMMISSIONERS
FULTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on January 28, 2019, with Bryan W. Lewis, President of the Board of County Commissioners; Rick Ranstead, County Commissioner; Steve Metzger, County Commissioner; Phyl Olinger, President of the County Council; Lorie L. Hurst, County Council member; Barry Hazel, County Council member; Ron Dittman, County Council member; and Randy L. Sutton, County Council member.

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COUNTY TREASURER
FULTON COUNTY

COUNTY TREASURER
FULTON COUNTY
AUDIT RESULT AND COMMENT

BANK ACCOUNT RECONCILIATIONS

There were deficiencies in the internal control system of the County Treasurer related to financial transactions of cash and investments. The County Treasurer had not implemented adequate segregation of duties and did not have controls in place to ensure the accuracy of the bank reconciliations. The bank reconciliations were prepared by the County Treasurer without oversight or review.

The bank reconciliations as presented for audit were not in agreement with the combined record balances at December 31, 2016 and 2017. The combined bank balances were \$1,911 and \$39,613 less than the combined record balance at December 31, 2016 and 2017, respectively.

In addition, outstanding check lists could not be verified. The December 31, 2016 outstanding check list included eighteen checks that could not be verified as clearing the bank account, voided, or outstanding in the subsequent months. The December 31, 2017 outstanding check list included two checks that had cleared in February 2017. Also, deposits in transit could not be verified on December 31, 2017. The deposits in transit included deposits from March 2017 thru December 2017. There was no documentation to determine if any were received by the County or deposited to the bank account.

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. . . ."

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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

COUNTY TREASURER
FULTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on January 28, 2019, with Katherine L. Easterday, County Treasurer; Bryan W. Lewis, President of the Board of County Commissioners; Rick Ranstead, County Commissioner; Steve Metzger, County Commissioner; Phyl Olinger, President of the County Council; Lorie L. Hurst, County Council member; Barry Hazel, County Council member; Ron Dittman, County Council member; and Randy L. Sutton, County Council member.

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CLERK OF THE CIRCUIT COURT
FULTON COUNTY

CLERK OF THE CIRCUIT COURT
FULTON COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS

There were deficiencies in the internal control system of the Clerk of the Circuit Court (Clerk) related to financial transactions. The Clerk had not implemented adequate segregation of duties as it had not separated incompatible activities related to cash and investments and receipts.

The Clerk did not have controls in place to ensure the accuracy of the bank reconciliations. The bank reconciliation was prepared by the Clerk without oversight or review.

The Clerk did not have controls in place to ensure that all collections were accurately receipted and deposited. The Clerk prepared the bank deposit slip and made the deposit without oversight or review.

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
FULTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on January 22, 2019, with Teresa M. Furnival, Clerk of the Circuit Court.

The contents of this report were discussed on January 28, 2019, with Bryan W. Lewis, President of the Board of County Commissioners; Rick Ranstead, County Commissioner; Steve Metzger, County Commissioner; Phyl Olinger, President of the County Council; Lorie L. Hurst, County Council member; Barry Hazel, County Council member; Ron Dittman, County Council member; and Randy L. Sutton, County Council member.