

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

FAYETTE COUNTY, INDIANA

January 1, 2016 to December 31, 2017



FILED
02/19/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Jane Downard	01-01-16 to 12-31-22
County Treasurer	Mary Hiers Lavonda Glover	01-01-13 to 12-31-16 01-01-17 to 12-31-20
Clerk of the Circuit Court	Melinda Sudhoff Lisa Witt	01-01-15 to 12-31-18 01-01-19 to 12-31-22
County Sheriff	David J. Laughlin	01-01-15 to 12-31-22
County Recorder	Ruth Nutty	01-01-15 to 12-31-22
President of the Board of County Commissioners	Frank Jackson Leota King Gary Naylor	01-01-16 to 12-31-16 01-01-17 to 12-31-18 01-01-19 to 12-31-19
President of the County Council	Mike Wenta	01-01-16 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF FAYETTE COUNTY, INDIANA

This report is supplemental to our audit report of Fayette 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

February 7, 2019

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CLERK OF THE CIRCUIT COURT
FAYETTE COUNTY

CLERK OF THE CIRCUIT COURT
FAYETTE COUNTY
AUDIT RESULT AND COMMENT

FINANCIAL TRANSACTIONS AND REPORTING

This comment appeared in Finding 2015-002 in prior Report B49657.

The Clerk of the Circuit Court had not separated incompatible duties related to cash and investments and disbursements. One employee was responsible for performing the reconciliation of the depository account balance with the record balance, without an oversight, review, or approval process. One employee generates checks which are posted automatically by the system to the financial records without documentation of oversight, review, or approval.

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
FAYETTE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 7, 2019, with Lisa Witt, Clerk of the Circuit Court; Gary Naylor, President of the Board of County Commissioners; Dale Strong, Vice President of the Board of County Commissioners; John Clarke, County Council member; Jane Downard, County Auditor; and Beverley Gesell, Deputy Clerk of the Circuit Court.

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COUNTY SHERIFF
FAYETTE COUNTY

COUNTY SHERIFF
FAYETTE COUNTY
AUDIT RESULT AND COMMENT

BANK ACCOUNT RECONCILIATIONS

No bank account reconciliations were presented for audit for the Sheriff's Inmate Trust or Jail Commissary accounts.

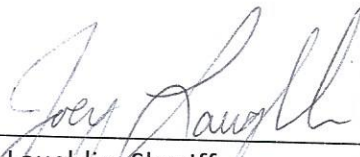
Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

**STATE BOARD OF ACCOUNTS
FAYETTE COUNTY AUDIT FOR 01/01/16 TO 12/31/17**

**STATEMENT OF SHERIFF JOEY LAUGHLIN
IN RESPONSE TO AUDIT RESULTS AND COMMENTS**

Prior to the SBOA audit for the period in question, I learned of deficiencies in bookkeeping procedures in the Fayette County Sheriff's Office and took steps to re-assign personnel better suited to perform the finance and accounting functions required for this Office. I do not dispute the findings of SBOA but add this statement to make clear that the Sheriff was aware of the problem and took corrective action prior to completion of the audit.

We continue to review our procedures and providing appropriate training and support so that personnel responsible for finance and accounting functions perform that work consistent with the law and with the expectations of the State Board of Accounts and its auditors.



Joey Laughlin, Sheriff
Fayette County

Date: February 18, 2019

COUNTY SHERIFF
FAYETTE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 7, 2019, with David J. Laughlin, County Sheriff; Gary Naylor, President of the Board of County Commissioners; Dale Strong, Vice President of the Board of County Commissioners; John Clarke, County Council member; Jane Downard, County Auditor; and Nancy Bohlander, Bookkeeper.

COUNTY TREASURER
FAYETTE COUNTY

COUNTY TREASURER
FAYETTE COUNTY
AUDIT RESULT AND COMMENT

FINANCIAL TRANSACTIONS AND REPORTING

This comment appeared in Finding 2015-002 in prior Report B49657.

The County Treasurer had not separated incompatible duties related to cash and investments. One employee was responsible for performing the reconciliation of the depository account balance with the record balance without an oversight, review, or approval process.

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 TREASURER
FAYETTE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 7, 2019, with Lavonda Glover, County Treasurer; Gary Naylor, President of the Board of County Commissioners; Dale Strong, Vice President of the Board of County Commissioners; John Clarke, County Council member; and Jane Downard, County Auditor.