

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

PARKE COUNTY, INDIANA

January 1, 2015 to December 31, 2018



FILED
08/30/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Pam Adams Laura Fischer	01-01-15 to 12-31-18 01-01-19 to 12-31-22
County Treasurer	Mary A. Gregg Mary Jo Harkrider Kim Shorter	01-01-13 to 12-31-16 01-01-17 to 07-16-17 07-17-17 to 12-31-20
Clerk of the Circuit Court	Diana Hazlett Stacie Jeffries	01-01-15 to 01-17-17 01-18-17 to 12-31-22
County Sheriff	Justin Cole	01-01-15 to 12-31-22
County Recorder	Mary Jo Harkrider Mary A. Gregg	01-01-13 to 12-31-16 01-01-17 to 12-31-20
President of the Board of County Commissioners	Jim Meece	01-01-15 to 12-31-19
President of the County Council	John K. Pratt	01-01-15 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF PARKE COUNTY, INDIANA

This report is supplemental to our audit report of Parke County (County), for the period from January 1, 2015 to December 31, 2018. 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 Statements Audit Report of the County, which provides our opinion on the County's financial statements. 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

July 16, 2019

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COUNTY AUDITOR
PARKE COUNTY

COUNTY AUDITOR
PARKE COUNTY
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

The Annual Financial Report (AFR) submitted through the Indiana Gateway for Government Units (Gateway) financial reporting system in 2019 for the year ended 2018, which was used to compile the financial statement, contained errors and did not properly reflect the financial activity of the County. Adjustments to correct the errors were made to the financial statement and approved by the County's management. These errors included:

1. Receipts and disbursements for 25 funds were not reported. Receipts for these funds totaled \$10,152,454 and disbursements totaled \$10,089,486. The funds with omitted transactions included Self Insurance, Payroll Clearing, Wheel Tax, Sur Tax, LIT Certified Shares, LIT Public Safety, LIT Economic Development, numerous grant funds and various other funds.
2. The General fund included transactions for the Mortgage Recording Fees - State Share fund.
3. Supplemental AFR figures for the Clerk Child Support fund were submitted to the County Auditor for inclusion in the County's AFR, but they were not included.

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](#)."

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

There were several deficiencies in the internal control system of the County related to reporting.

Reporting

The County had not separated incompatible activities related to reporting. The financial information reported on Gateway for 2018 was incomplete, and not reflective of the financial activity of the County. There were no controls in place such as an 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. . . ."

COUNTY AUDITOR
PARKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 16, 2019, with Laura Fischer, County Auditor; Jim Meece, President of the Board of County Commissioners; and John K. Pratt, President of the County Council.

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COUNTY TREASURER
PARKE COUNTY

COUNTY TREASURER
PARKE COUNTY
AUDIT RESULTS AND COMMENTS

CONDITION OF RECORDS

The County Treasurer's Monthly Report, County Form 47 TR (Monthly Report), was completed monthly by the County Treasurer, but it was not properly completed beginning in July 2017. After June 2017, the Monthly Report TR did not reconcile with the balance on the County Treasurer's Cash Book. There was no internal control procedure to verify that the County Treasurer's Monthly Report reconciled to the County Treasurer's Cash Book.

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)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

There were several deficiencies in the internal control system of the County related to cash and investments.

Cash and Investments

The County had not separated incompatible activities related to cash and investments. There was no internal control procedure to verify that the County Treasurer's Monthly Report, County Form 47 TR, reconciled to the County Treasurer's Cash Book.

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
PARKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 16, 2019, with Kim Shorter, County Treasurer; Jim Meece, President of the Board of County Commissioners; John K. Pratt, President of the County Council; and Laura Fischer, County Auditor.

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COUNTY HEALTH DEPARTMENT
PARKE COUNTY

COUNTY HEALTH DEPARTMENT
PARKE COUNTY
AUDIT RESULTS AND COMMENTS

DEPOSITS

The County Health Department is required to issue receipts and remit collections daily to the County Treasurer detailed on a report of collections form. Out of 40 receipts tested, 4 could not be traced to a report of collections. There was no supporting documentation evidencing that these receipts were remitted to the County Treasurer. Of these receipts, 3 totaling \$90 were paid in cash.

Of 40 receipts tested, 14 were deposited later than the next business day.

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

CONDITION OF RECORDS

On June 12, 2019, numerous undeposited checks and cash payments up to 11 months old were observed on the County Health Department Registrar's desk. Numerous past due bills and unprocessed applications for birth and death certificates were also present.

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY HEALTH DEPARTMENT
PARKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 16, 2019, with Sophia Stillwell, County Health Department Clerk/Registrar; Mary C. Pierce, President of the County Health Board; Jim Meece, President of the Board of County Commissioners; John K. Pratt, President of the County Council; and Laura Fischer, County Auditor.