

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
SULLIVAN COUNTY, INDIANA
January 1, 2016 to December 31, 2018



FILED
11/13/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Brenda S. Howard	01-01-15 to 08-28-17
	Diana Ross	08-29-17 to 12-31-18
	Shelly Hiatt-Parris	01-01-19 to 12-31-22
County Treasurer	Beth E. Swalls	01-01-13 to 12-31-16
	Janna J. Johnson	01-01-17 to 12-31-20
Clerk of the Circuit Court	Peggy Goodman	01-01-15 to 12-31-18
	Tonya Bedwell	01-01-19 to 12-31-22
County Sheriff	Clark Cottom	01-01-15 to 12-31-22
County Recorder	Shelly Hiatt-Parris	01-01-15 to 12-31-18
	Beth E. Swalls	01-01-19 to 12-31-22
County Assessor	Vicki Talpas	01-01-15 to 12-31-22
President of the Board of County Commissioners	Ray McCammon	01-01-16 to 12-31-16
	Robert A. Davis	01-01-17 to 12-31-19
President of the County Council	Duane Wampler	01-01-16 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF SULLIVAN COUNTY, INDIANA

This report is supplemental to our audit report of Sullivan County (County), for the period from January 1, 2016 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

October 1, 2019

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COUNTY AUDITOR
SULLIVAN COUNTY

COUNTY AUDITOR
SULLIVAN COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in prior Report B47943, entitled *Annual Financial Report*.

Condition and Context

The County had not established an adequate internal control system related to financial transactions and reporting. The County had not separated incompatible activities related to financial transactions and reporting. The County Auditor's Bookkeeper entered and submitted financial information for the County into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source for the Annual Financial Report (AFR) and financial statements. There was no evidence of a control, such as an oversight, review, or approval process, to ensure the accuracy of the information entered and submitted.

The information reported by the County Auditor contained a number of errors and did not properly reflect the financial activity of the County. In total, the cash balances, receipts, and disbursements were incorrect as follows:

Year	Beginning Cash and Investments	Receipts	Disbursements	Ending Cash and Investments
2016	\$ 595,387	\$ (6,508)	\$ 560,214	\$ 28,665
2017	28,665	(19,278)	322,788	(313,401)
2018	(21,549)	(492,005)	(519,865)	6,311

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

Criteria

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
SULLIVAN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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](#)."

CAPITAL ASSETS

Condition and Context

The County does not maintain capital asset records.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The County certified on Gateway for 2016, 2017, and 2018 that the required internal control standards training had been provided to all personnel defined by Indiana Code 5-11-27(c). However, the County had not provided internal control standards training as required for these years.

Criteria

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](#)."

COUNTY AUDITOR
SULLIVAN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 1, 2019, with Robert A. Davis, President of the Board of County Commissioners; Duane Wampler, President of the County Council; John Waterman, County Commissioner; Tim W. Abrams, County Council member; Larry E. Kinnett, County Council member; Logan Pearson, County Council member; Jerry C. Payne, County Council member; Curtis W. Bedwell, County Council member; Nick Ray Cullison, County Council member; and Shelly Hiatt-Parris, County Auditor.

COUNTY TREASURER
SULLIVAN COUNTY

COUNTY TREASURER
SULLIVAN COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS

Condition and Context

There were deficiencies in the internal control system of the County Treasurer over cash and investments. A proper internal control system would have included adequate control activities to prevent, or detect and correct, errors in the bank account reconciliations, such as an oversight, review, or approval process.

Monthly bank account reconciliations were performed; however, there was no evidence of an oversight, review, or approval by another employee besides the one performing the reconciliations.

Criteria

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
SULLIVAN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 1, 2019, with Robert A. Davis, President of the Board of County Commissioners; Duane Wampler, President of the County Council; John Waterman, County Commissioner; Tim W. Abrams, County Council member; Larry E. Kinnett, County Council member; Logan Pearson, County Council member; Jerry C. Payne, County Council member; Curtis W. Bedwell, County Council member; Nick Ray Cullison, County Council member; Shelly Hiatt-Parris, County Auditor; and Janna J. Johnson, County Treasurer.

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BOARD OF COUNTY COMMISSIONERS
SULLIVAN COUNTY

BOARD OF COUNTY COMMISSIONERS
SULLIVAN COUNTY
AUDIT RESULTS AND COMMENTS

CAPITAL ASSETS

Condition and Context

The County does not maintain capital asset records. In addition, the County does not have a capital assets policy.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1.)

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The County did not provide training to personnel concerning internal control standards and procedures during the audit period.

Criteria

Indiana 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

BOARD OF COUNTY COMMISSIONERS
SULLIVAN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 1, 2019, with Robert A. Davis, President of the Board of County Commissioners; Duane Wampler, President of the County Council; John Waterman, County Commissioner; Tim W. Abrams, County Council member; Larry E. Kinnett, County Council member; Logan Pearson, County Council member; Jerry C. Payne, County Council member; Curtis W. Bedwell, County Council member; Nick Ray Cullison, County Council member; and Shelly Hiatt-Parris, County Auditor.

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COUNTY ASSESSOR
SULLIVAN COUNTY

COUNTY ASSESSOR
SULLIVAN COUNTY
AUDIT RESULT AND COMMENT

LEVEL III CERTIFICATION OF COUNTY ASSESSOR

Vicki Talpas (Talpas) was elected and served as the County Assessor from January 1, 2003 to December 31, 2018. She was re-elected on January 1, 2019, with a Level II certification. As of July 30, 2019, Talpas had not acquired a Level III certification, which is an eligibility requirement of Indiana Code 36-2-15-2 to hold the office of County Assessor.

Indiana Code 36-2-15-2 states in part.

"(a) A county assessor shall be elected under [IC 3-10-2-13](#) by the voters of the county.

(b) To be eligible to serve as an assessor, an individual must meet the following qualifications before taking office:

- (1) If the individual has never held the office of county assessor, the individual must have attained a level two assessor-appraiser certification under [IC 6-1.1-35.5](#).
- (2) If the individual has held the office of county assessor, the individual must have attained a level three assessor-appraiser certification under [IC 6-1.1-35.5](#). . . ."

COUNTY ASSESSOR
SULLIVAN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 1, 2019, with Robert A. Davis, President of the Board of County Commissioners; Duane Wampler, President of the County Council; John Waterman, County Commissioner; Tim W. Abrams, County Council member; Larry E. Kinnett, County Council member; Logan Pearson, County Council member; Jerry C. Payne, County Council member; Curtis W. Bedwell, County Council member; Nick Ray Cullison, County Council member; Shelly Hiatt-Parris, County Auditor; and Vicki L. Talpas, County Assessor.