

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

FOUNTAIN COUNTY, INDIANA

January 1, 2019 to December 31, 2019



**FILED**  
11/02/2020



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Brenda Hardy	01-01-19 to 12-31-20
County Treasurer	Colleen Chambers	01-01-19 to 12-31-20
Clerk of the Circuit Court	Paula K. Copenhaver	01-01-19 to 12-31-20
County Sheriff	Terry Holt	01-01-19 to 12-31-20
County Recorder	Nikki Allen	01-01-19 to 12-31-20
President of the Board of County Commissioners	Craig A. Stalter	01-01-19 to 12-31-20
President of the County Council	Dudley Cruea	01-01-19 to 12-31-20



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF FOUNTAIN COUNTY, INDIANA

This report is supplemental to our audit report of Fountain County (County), for the period from January 1, 2019 to December 31, 2019. 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 opinions on the County's financial statement. 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 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

September 17, 2020

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COUNTY AUDITOR  
FOUNTAIN COUNTY

COUNTY AUDITOR  
FOUNTAIN COUNTY  
AUDIT RESULT AND COMMENT

**MOTOR VEHICLE HIGHWAY RESTRICTED FUND**

*Condition and Context*

Effective January 1, 2019, State Examiner Directive 2018-02 established that 50 percent of State Motor Vehicle Highway distributions shall be maintained in a Motor Vehicle Highway Restricted fund to be allocated for construction, reconstruction, and preservation of the County's highways.

The County had not created the Motor Vehicle Highway Restricted fund as of January 1, 2019, as required. The fund was established in June 2019 when a transfer was made from the Motor Vehicle Highway fund to move the required 50 percent to the restricted fund.

The County expended \$248,349 for equipment from the Motor Vehicle Highway Restricted fund, which was not an allowable expense.

*Criteria*

The purpose of this Directive is to authorize and require counties . . . that receive distributions from the State Motor Vehicle Highway Account to **create a new sub-fund within the MVH Fund** to properly manage and account for the usage restrictions that were included in House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018. . . .

On the chart of accounts, the MVH Fund and MVH Restricted sub-fund shall be shown as follows:

Counties

Fund 1176	MVH
Fund 1173	MVH Restricted . . .

**Together, MVH and MVH Restricted shall constitute the total MVH Fund.** MVH and MVH Restricted will be shown separately on the Annual Financial Report . . .

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted. . . . (State Examiner Directive 2018-2)

Indiana Code 8-14-1-4(b) states: "For funds distributed to a county from the motor vehicle highway account, the county shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the county's highways."



COUNTY AUDITOR  
FOUNTAIN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 17, 2020, with Brenda Hardy, County Auditor; Colleen Chambers, County Treasurer; Paula K. Copenhaver, Clerk of the Circuit Court; Dudley Cruea, President of the County Council; James L. Hershberger, Vice President of the County Council; Thomas W. Booe, County Council member; Don Hesler, County Commissioner; and Craig A. Stalter, President of the Board of County Commissioners.

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CLERK OF THE CIRCUIT COURT  
FOUNTAIN COUNTY

CLERK OF THE CIRCUIT COURT  
FOUNTAIN COUNTY  
AUDIT RESULT AND COMMENT

**INTERNAL CONTROLS**

*Condition and Context*

There were several deficiencies in the internal control system of the Clerk of the Circuit Court (Clerk) related to financial transactions and reporting. The Clerk had not separated incompatible activities related to cash and investments, receipts, and disbursements.

*Cash and Investments*

One employee was responsible for performing the reconciliation of the depository account balance with the record balance. The Clerk had not implemented a system of oversight, review, or an approval process to ensure that reconciliations were performed.

*Receipts*

At the end of each day, the Clerk generated a Cash Deposited Transaction daily report and compared it to the Daily Cash Balance report to verify that the totals matched, but there was no audit evidence that this internal control had been implemented.

*Disbursements*

The Deputy Clerk processed the checks and printed a check register, which was given to the Clerk, who compared the total disbursements on the check register to the total disbursements on the Daily Cash Balance Report, but there was no audit evidence that this internal control had been implemented.

*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. . . ."



**FOUNTAIN COUNTY CLERK'S OFFICE**

Paula K. Copenhaver - Clerk

P.O. Box 183

Covington Indiana 47932

Tel: 765-793-6230 Fax: 765-793-6209

**OFFICIAL RESPONSE**

September 17, 2020

State Board of Accounts  
302 West Washington Street, Room 418  
Indianapolis, IN 46204-2765

Re: Audit Results and Comments - Internal Controls

To Whom it May Concern:

This letter is in response to Audit Results and Comments from Period Examined of 01-01-19 to 12-31-19.

Condition and Context, Cash and Investments, Receipts, and Disbursements:

Performing reconciliation of the depository account balance with the record balance will be reviewed, approved, and signed off on by two individuals. All money received in the Clerk's office is immediately received into the case management system, which is used in the majority if not all of Indiana Counties. At the end of the day each employee closes and reconciles their till, then hand deliver any and all payments received to whoever is doing the daily deposit. After the daily deposit is completed reports are generated to verify receipts and disbursements are in balance. The Clerk has contacted Odyssey to see if the name or user ID of the individual that generates the daily report is able to be placed on each report. The 2<sup>nd</sup> person will look over the report to be sure everything is in balance, then initial the report. If the name or user ID is not able to be printed on the report, then both parties will initial the reports confirming everything is in balance.

During the audit process it was not made clear as to what the auditor was referencing in regards to the internal control system for the daily transactions and reporting. However, at the exit conference it was explained all the Clerk's office has to do to have better internal controls as referenced above was to have the initials of the two individuals on the reports. There are at least two individuals trained to do each job required in the office for checks and balances internally above and beyond what is required by State Board of Accounts. All public records are available for review at any given time.

Cordially,

Paula K. Copenhaver  
Fountain County Clerk



CLERK OF THE CIRCUIT COURT  
FOUNTAIN COUNTY  
EXIT CONFERENCE

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