

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

FULTON COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED
09/01/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Christina Sriver	01-01-19 to 12-31-21
County Treasurer	Katherine L. Easterday	01-01-19 to 12-31-21
Clerk of the Circuit Court	Teresa M. Furnivall	01-01-19 to 12-31-21
President of the Board of County Commissioners	Bryan W. Lewis	01-01-19 to 12-31-21
President of the County Council	Phyl Olinger	01-01-19 to 12-31-21



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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, 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/.

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

August 19, 2021

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COUNTY AUDITOR
FULTON COUNTY

COUNTY AUDITOR
FULTON COUNTY
AUDIT RESULTS AND COMMENTS

CAPITAL ASSETS

Condition and Context

The County had a capital asset policy detailing the capital asset threshold and included a physical inventory requirement annually at year end. The County Auditor's office provided each department a list of capital assets and department heads were requested to review and update the list; however, adjustments to the County Auditor's master list were not completed. Additionally, there was no evidence of an actual physical inventory.

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)

INTERNAL CONTROLS

Condition and Context

There was a deficiency in the internal control system of the County related to financial transactions and reporting of payroll disbursements.

The County designed a system of internal controls over payroll disbursements, but the system was not properly implemented. The County Auditor and Board of County Commissioners approved the total payroll as a lump sum without a review at the individual employee level to ensure the hours, rate of pay, and total payroll disbursements were accurate.

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.

COUNTY AUDITOR
FULTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . ."

MOTOR VEHICLE HIGHWAY (MVH) RESTRICTED

Condition and Context

Starting on January 1, 2019, the County was required to create a Motor Vehicle Highway (MVH) restricted sub-fund that would be used exclusively for the construction, reconstruction, and preservation of the County's highways, and shown separately on the Annual Financial Report (AFR) and Annual Operations Report. The County did create the sub fund 1173, MVH-Restricted, but failed to report it separately on the 2020 AFR.

Audit adjustments were proposed, approved by the County, and made to the financial statement to report the MVH-Restricted fund separately from the MVH fund.

Cold patch materials were purchased for three of the ten claims examined. Cold patch materials are used to fill holes in roadways and would be considered maintenance to the roadway.

Criteria

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

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."



FULTON COUNTY AUDITOR'S OFFICE

Christina Sriver, Fulton County Auditor
125 E 9th Street, Suite 108
Rochester, IN 46975
Phone: (574) 223-2912
Fax: (574) 223-2211

Sunday, August 29th, 2021

To Whom It May Concern,

In response to the deficiency in internal controls regarding payroll, procedure in place for approving payroll included payroll vouchers being matched with the time clock reports for accuracy of the amount requested to pay by department heads/elected officials. Any discrepancies discovered were discussed with the department claiming the error and the voucher would be corrected and returned. The total amount of the vouchers was then matched with the total amount entered in the payroll software for accuracy. The Commissioners signed off on the total amount of payroll and was attested to be correct by the Auditor as a lump sum. Because the Deputy Auditor was matching the individual employee on the pay voucher the department submitted with the time worked (approved by both the employee, secondly and additionally by the department head in the time clock) it was assumed there were enough controls in place. Both the Deputy Auditor and Auditor are reviewing the totals and initialing the review for testing purposes.

In response to the MVH Restricted funds being used for the purchase of cold patch materials, I concur with the comments. The highway department will be asked to note on the claim voucher for payment which of the allowable uses the purchase is for: construction, reconstruction, or preservation.

In response to the lack of physical inventory on capital assets, I concur with the comment. The department heads have been in charge of verifying their capital assets. The Auditor, or a representative of the Auditor's office will be visiting each department to conduct the physical inventory as established in the capital asset policy.

Respectfully submitted,

Christina Sriver
Fulton County Auditor

COUNTY AUDITOR
FULTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 19, 2021, with Christina Sriver, County Auditor; Rick Ranstead, County Commissioner; Phyl Olinger, President of the County Council; Ron Dittman, County Council member; and Steve Fishburn, County Council member.

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COUNTY TREASURER
FULTON COUNTY

COUNTY TREASURER
FULTON COUNTY
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

The same comment appeared in the prior Report B54013.

Condition and Context

There were deficiencies in the internal control system of the County Treasurer related to cash and investments. The bank account reconciliation as presented was not in agreement with the record balances at December 31, 2019. The bank balance exceeded the record balance by \$125,032.

Criteria

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)

INTERNAL CONTROLS

Condition and Context

The County had not separated incompatible activities related to cash and investments. The failure to establish internal controls could have enabled material misstatements to occur and remain undetected. Depository reconciliations were performed by the County Treasurer without a review or approval process to ensure accuracy. Internal control activities should be selected and developed at various levels to reduce risks of error and/or fraud of the financial statement.

COUNTY TREASURER
FULTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

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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
FULTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 19, 2021, with Katherine L. Easterday, County Treasurer; Rick Ranstead, County Commissioner; Phyl Olinger, President of the County Council; Ron Dittman, County Council member; and Steve Fishburn, County Council member.