

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

PARKE COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED
01/25/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Laura Fischer	01-01-19 to 12-31-22
County Treasurer	Kim Shorter	01-01-19 to 12-31-22
Clerk of the Circuit Court	Stacie Jeffries Henry Harper	01-01-19 to 02-28-21 03-01-21 to 12-31-22
County Sheriff	Justin Cole	01-01-19 to 12-31-22
County Recorder	Mary A. Gregg	01-01-19 to 12-31-22
President of the Board of County Commissioners	Jim Meece	01-01-19 to 12-31-22
President of the County Council	John K. Pratt	01-01-19 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 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

December 28, 2021

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COUNTY AUDITOR
PARKE COUNTY

COUNTY AUDITOR
PARKE COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Similar comments also appeared in prior Report B53234, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING* and *ANNUAL FINANCIAL REPORT*.

Condition and Context

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

The County had not separated incompatible activities related to financial close and reporting. The County Auditor entered the financial information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the financial statement. There were no internal controls in place such as an oversight, review, or approval process to ensure the information was accurate.

Due to the lack of internal controls, the financial statement presented for audit included the following errors:

1. The Annual Financial Report (AFR) information entered into Gateway was materially misstated and did not properly reflect the financial activity of the County. The beginning balance was overstated by \$2,933,182, and receipts and disbursements were understated by \$2,437,878 and \$2,096,095, respectively.
2. The AFR did not properly present Fund 1173 Motor Vehicle Highway-Restricted Fund (MVH-R) separately from the Motor Vehicle Highway Fund (MVH). The MVH-R was combined with the MVH Fund on the AFR.

Audit adjustments were proposed, accepted by the County, and made to the financial statement presented in the Financial Statement Audit Report for the County.

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
PARKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity 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](#)."

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 and Annual Operational Report. . . . (State Examiner Directive 2018-2)

MVH RESTRICTED FUND

Condition and Context

The County did not allocate 50 percent of the distributions received from the State MVH Account to the Motor Vehicle Highway Restricted fund for 6 of 12 state distributions, therefore, it was not possible to determine if the County used at least 50 percent of the state distributions for the purposes specified in Indiana Code 8-14-1-4(b).

Criteria

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."

AUDITOR RECORDS DO NOT RECONCILE WITH TREASURER RECORDS

Condition and Context

The County did not perform the required reconciliation (County Form 61) between the County Auditor and County Treasurer for any month during the audit period. The County Auditor's fund balance was \$661,707 greater than the amount shown on the County Treasurer's Cash Book.

COUNTY AUDITOR
PARKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

At the close of each calendar month a Monthly Financial Statement, County Form No. 61, shall be prepared, showing the financial transactions for the month and year to date, for each fund and in total.

The county treasurer is also required to independently prepare a Monthly Financial Statement on the same form and the two statements must be reconciled. If any differences exist between the records of the auditor and the treasurer, they must be identified and immediate steps taken to bring the records of the two offices into agreement.

The statements are prescribed to be placed in a post-binder and shall be carefully preserved as a permanent record. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

CAPITAL ASSETS

Condition and Context

The County did not maintain a complete detailed listing of all capital assets owned or conducted the required physical inventory at least every two years.

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)

CONDITION OF RECORDS

Condition and Context

The following deficiencies were noted in the County Auditor's records:

1. Receipts totaling \$19,124 for the County's Spring 2019 settlement were erroneously posted to the General fund, resulting in a variance between the County Treasurer and County Auditor's offices.
2. One receipt for the County's Fall 2019 settlement was posted to the proper fund, but for \$20 more than was appropriate.
3. At December 31, 2019, there was a variance of \$46,108 between the County Treasurer and County Auditor's records related to the Fall 2019 settlement. This was not resolved on the County Auditor's ledger until the next calendar year (2020).

COUNTY AUDITOR
 PARKE COUNTY
 AUDIT RESULTS AND COMMENTS
 (Continued)

4. For all funds other than the General fund, all receipts and disbursements reported on the Annual Financial Report were classified as "Other" rather than being allocated to the proper classifications of receipts and disbursements.
5. Sufficient documentation for verifying lease payments reported on the Schedule of Leases and Debt was not retained and could not be provided for audit; however, the Schedule of Leases and Debt was considered to be materially consistent with the financial statement.
6. The supplementary Schedule of Capital Assets and Schedule of Payables and Receivables could not be verified to supporting documentation for material consistency with the financial statement.

Criteria

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 Auditors of Indiana, Chapter 1)

OVERDRAWN CASH BALANCES

Condition and Context

The financial statement presented for audit included the following funds with overdrawn cash balances as of December 31, 2019, which were not attributed to the timing of grant reimbursements.

Fund	Amount Overdrawn
Settlement	\$ 276,433
FY16 SHSP Deobligated	22,458

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR
PARKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 28, 2021, with Laura Fischer, County Auditor; Jim Meece, President of the Board of County Commissioners; John K. Pratt, President of the County Council; Bruce Hartman, County Commissioner; Jack B. Butler, County Council member; Larry Gambaiani, County Council member; Roy Wrightsman, County Council member; and Cameron Martin, County Council member.

COUNTY TREASURER
PARKE COUNTY

COUNTY TREASURER
PARKE COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

The same comments also appeared in prior Report B53234, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING* and *CONDITION OF RECORDS*.

Condition and Context

The County had not separated incompatible activities related to cash and investments. There were no internal controls in place to ensure that the County Treasurer's Monthly Financial Report, County Form 47-TR, reconciled to the County Treasurer's Daily Balance of Cash and Depositories (Cash Book).

Due to the lack of internal controls, the amount used on the County Treasurer's Monthly Financial Report was \$675,080 less than the amount reported in the County Treasurer's Cash Book.

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 TREASURER
PARKE 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. . . ."

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)

AUDITOR RECORDS DO NOT RECONCILE WITH TREASURER RECORDS

Condition and Context

The County did not perform the required reconciliation (County Form 61) between the County Auditor and County Treasurer for any month during the audit period. The County Auditor's fund balance was \$661,706.57 greater than the amount shown on the County Treasurer's Cash Book.

Criteria

The Monthly Financial Statement, Form 61, is a permanent record prepared from the treasurer's funds ledger at the close of each month. It is prepared after all postings to the ledger have been completed for the month and reflects the total receipts and disbursements and the balance for each fund for the month and for the year to date. The statement must agree with a similar statement kept by the county auditor, giving consideration to any adjustments required to reconcile the ledgers of the two offices. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 5)

COUNTY TREASURER
PARKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 28, 2021, with Kim Shorter, County Treasurer; Laura Fischer, County Auditor; Jim Meece, President of the Board of County Commissioners; John K. Pratt, President of the County Council; Bruce Hartman, County Commissioner; Jack B. Butler, County Council member; Larry Gambaiani, County Council member; Roy Wrightsman, County Council member; and Cameron Martin, County Council member.

CLERK OF THE CIRCUIT COURT
PARKE COUNTY

CLERK OF THE CIRCUIT COURT
PARKE COUNTY
AUDIT RESULTS AND COMMENTS

SUPPLEMENTAL ANNUAL FINANCIAL REPORT

Condition and Context

The Supplemental Annual Financial Report for the Clerk of the Circuit Court (Clerk) was not filed for inclusion in the 2019 Annual Financial Report of the County, which was used to create the financial statement.

Audit adjustments were proposed, accepted by the County, and made to the financial statement presented in the Financial Statement Audit Report for the County.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity 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

Condition and Context

There were several deficiencies in the internal control system of the Clerk related to cash and investments, receipts, and disbursements.

Cash and Investments

There were no internal controls in place to ensure the Clerk's monthly bank statement reconciled to the ledger. There were no internal controls in place such as an oversight, review, or approval process.

Receipts

There was no internal control procedure implemented over Child Support receipts.

Disbursements

There was no internal control procedure implemented over disbursements.

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:

CLERK OF THE CIRCUIT COURT
PARKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

"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. . . ."

MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

Condition and Context

As of August 2021, the Clerk had not uploaded any of the required monthly and annual uploads into Indiana Gateway for Government Units financial reporting system for calendar year 2019.

Criteria

Beginning with July 2018 files, which will be due September 15, 2018, **all** cities, towns . . . will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. Counties . . . will upload January 2019 files beginning in March 2019.

The following files and governmental unit information are required to be uploaded monthly:

- Bank Reconcilements
- Funds Ledger, summarizing total receipts, disbursements, and balances by fund . . .

The following files and governmental unit information are required to be uploaded annually:

- Year-end bank statement
- Year-end outstanding check list

Annual files are due to be uploaded on Gateway no later than March 1, 2019. Thereafter, annual files must be uploaded no later than March 1 for the prior year end unless the SBOA establishes a different date. . . . (State Examiner Directive 2018-1)

CLERK OF THE CIRCUIT COURT
PARKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 28, 2021, with Henry Harper, Clerk of the Circuit Court; Laura Fischer, County Auditor; Jim Meece, President of the Board of County Commissioners; John K. Pratt, President of the County Council; Bruce Hartman, County Commissioner; Jack B. Butler, County Council member; Larry Gambaiani, County Council member; Roy Wrightsman, County Council member; and Cameron Martin, County Council member.

COUNTY HEALTH DEPARTMENT
PARKE COUNTY

COUNTY HEALTH DEPARTMENT
PARKE COUNTY
AUDIT RESULT AND COMMENT

DEPOSITS

The same comment also appeared in prior Report B53234.

Condition and Context

The County Health Department was required to list the receipts issued and remit those collections daily to the County Treasurer on a report of collections form.

The following deficiencies with receipts were noted:

1. Of the 25 receipts tested, 1 could not be traced to a report of collections, but was shown on a quietus from the County Auditor. Additionally, 2 of the 25 receipts tested, were shown on the report of collections, but could not be traced to a quietus from the County Auditor.
2. There were 3 of the 25 receipts not deposited timely.
3. For 4 additional receipts there was not sufficient information to determine whether the receipts were included on the report of collections or deposited timely.

Criteria

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 . . ."

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

"The following are not required to deposit funds on the business day following receipt if the funds on hand do not exceed five hundred dollars (\$500): . . .

- (2) A local officer of a political subdivision required to deposit funds under subsection (c) other than a township trustee.
- (3) A city or a town required to deposit funds under subsection (d)."

COUNTY HEALTH DEPARTMENT
PARKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 28, 2021, with Liddy Dowd-Wright, Health Department Sanitarian; Janet Cooper, Health Department Clerk; Laura Fischer, County Auditor; Jim Meece, President of the Board of County Commissioners; John K. Pratt, President of the County Council; Bruce Hartman, County Commissioner; Jack B. Butler, County Council member; Larry Gambaiani, County Council member; Roy Wrightsman, County Council member; and Cameron Martin, County Council member.