

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SULLIVAN COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED
03/23/2022

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
County Auditor:	
Audit Results and Comments:	
Internal Controls	6-7
Capital Assets	7
Errors on Claims	7-8
Disbursements from Motor Vehicle Highway (MVH) - Restricted Fund	8-9
Exit Conference	10
County Treasurer:	
Audit Result and Comment:	
Internal Controls	12
Exit Conference	13
Clerk of the Circuit Court:	
Audit Result and Comment:	
Internal Controls	16
Exit Conference	17
Board of County Commissioners:	
Audit Result and Comment:	
Capital Assets	20
Exit Conference	21

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Shelly Hiatt-Parris	01-01-19 to 12-31-22
County Treasurer	Janna J. Johnson	01-01-19 to 12-31-22
Clerk of the Circuit Court	Tonya Bedwell	01-01-19 to 12-31-22
County Sheriff	Clark Cottom	01-01-19 to 12-31-22
County Recorder	Beth E. Swalls	01-01-19 to 12-31-22
County Assessor	Vicki Talpas	01-01-19 to 12-31-22
President of the Board of County Commissioners	Robert A. Davis	01-01-19 to 12-31-22
President of the County Council	Duane Wampler Tim Abrams Jerry Payne	01-01-19 to 12-31-19 01-01-20 to 12-31-20 01-01-21 to 12-31-22



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, 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.

A handwritten signature in blue ink that reads "Beth Kelley".

Beth Kelley, CPA, CFE
Deputy State Examiner

March 16, 2022

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COUNTY AUDITOR
SULLIVAN COUNTY

COUNTY AUDITOR
SULLIVAN COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

A similar comment also appeared in prior Report B47943, entitled *ANNUAL FINANCIAL REPORT*, and Report B53693, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

Deficiencies in the internal control system for the County related to financial transactions and reporting were identified. The County Auditor had not established an effective system of internal control over financial close and reporting, receipts, and disbursements.

Financial Close and Reporting

The County Auditor did not have an effective system of internal control in place to prevent, or detect and correct, errors in the Annual Financial Report (AFR) entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statement.

The AFR contained material errors and did not accurately reflect the financial activity of the County. The errors resulted in a net overstatement of receipts by \$6,906 and net overstatement of disbursements by \$95,194.

Receipts

There was no segregation of duties over the receipting process. One individual posted receipts to the accounting system and wrote the quietus without an oversight, review, or approval process in place.

Disbursements

The First Deputy processed vendor and payroll claims and entered them onto the claims register. The First Deputy then used the County Auditor's signature stamp to certify the accuracy of the claims without the County Auditor actually performing a review. There was no documentation of internal controls in place, such as oversight, review, or approval process.

Audit adjustments were proposed, accepted by the County, and made to the financial statement.

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
SULLIVAN 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. . . ."

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](#)."

CAPITAL ASSETS

The same comment also appeared in prior Report B53693.

Condition and Context

The County did not maintain a complete detailed listing of capital assets owned which reflected their acquisition value. In addition, the County had not performed a physical inventory in the last 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)

ERRORS ON CLAIMS

This same comment appeared in a Management Letter addressed to the County Auditor, County Council, and the Board of County Commissioners for the audit period ending December 31, 2018.

Condition and Context

The County had not established a system for the Board of County Commissioners to review and approve claims related to electronic fund transfers, including direct deposits for payroll transactions. In addition, there was no process in place to document that the fiscal officer approved claims related to the Settlement Fund.

A test of twenty-nine vendor claims was performed during the audit. The following errors were noted:

1. Two invoices were not adequately itemized or approved by the officer or person receiving the goods and services.

COUNTY AUDITOR
SULLIVAN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

2. Eight claims were not approved by the governing board.
3. Two claims were not a proper use of the fund from which they were paid.
4. Two claims did not have supporting documentation.
5. One claim for contractual services was not supported by a contract.

Criteria

Indiana Code 5-11-10-1.6 states in part:

". . . (b) used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

DISBURSEMENTS FROM MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

Disbursements for payroll and bulk materials (stone and gravel) were paid from the MVH Restricted fund without documentation to support that these payments were for the construction, reconstruction, or preservation of the County's highways as required.

COUNTY AUDITOR
SULLIVAN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

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
SULLIVAN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 16, 2022, with Shelly Hiatt-Parris, County Auditor; Robert A. Davis, President of the Board of County Commissioners; Ray E. McCammon, County Commissioner; John Waterman, County Commissioner; Jackie Monk, County Council member; Wes Scarbrough, County Council member; Curtis Bedwell, County Council member; and Nick Cullison, County Council member.

COUNTY TREASURER
SULLIVAN COUNTY

COUNTY TREASURER
SULLIVAN COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

A similar comment appeared in prior Report B53693, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS*.

Condition and Context

There were deficiencies in the internal control system of the County Treasurer related to financial transactions. The County Treasurer had not established an effective internal control system that separated incompatible activities related to cash and investments and receipts.

Cash and Investments

Monthly bank account reconciliations were performed. However, there was no evidence of an oversight, review, or approval process.

Receipts

All steps of the receipting process were performed by the Deputy County Treasurer without a review, oversight, or approval process in place.

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 March 16, 2022, with Shelly Hiatt-Parris, County Auditor; Robert A. Davis, President of the Board of County Commissioners; Ray E. McCammon, County Commissioner; John Waterman, County Commissioner; Jackie Monk, County Council member; Wes Scarbrough, County Council member; Curtis Bedwell, County Council member; Nick Cullison, County Council member; and Janna J. Johnson, County Treasurer.

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CLERK OF THE CIRCUIT COURT
SULLIVAN COUNTY

CLERK OF THE CIRCUIT COURT
SULLIVAN COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal control system for the Clerk of the Circuit Court (Clerk) related to financial transactions. The Clerk had not established an effective system of internal control over cash and investments, receipts, and disbursements.

Cash and Investments

Monthly bank reconciliements were performed; however, there was no evidence of an internal control in place to prevent, or detect and correct, errors such as an oversight, review, or approval process.

Receipts

Internal controls over receipts were properly designed; however, no evidence was provided for audit to indicate that these controls were implemented and operating effectively.

Disbursements

Internal controls over disbursements were properly designed; however, no evidence was provided for audit to indicate that these controls were implemented or operating effectively.

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. . . ."

CLERK OF THE CIRCUIT COURT
SULLIVAN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 16, 2022, with Shelly Hiatt-Parris, County Auditor; Robert A. Davis, President of the Board of County Commissioners; Ray E. McCammon, County Commissioner; John Waterman, County Commissioner; Jackie Monk, County Council member; Wes Scarbrough, County Council member; Curtis Bedwell, County Council member; Nick Cullison, County Council member; and Tonya Bedwell, Clerk of the Circuit Court.

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BOARD OF COUNTY COMMISSIONERS
SULLIVAN COUNTY

BOARD OF COUNTY COMMISSIONERS
SULLIVAN COUNTY
AUDIT RESULT AND COMMENT

CAPITAL ASSETS

The same comment also appeared in prior Report B53693.

Condition and Context

A capital asset policy that detailed the threshold at which an item was considered a capital asset was not presented for audit.

Criteria

The governing body of a unit must have a written policy concerning capital assets that includes at a minimum, the threshold at which an item is considered a capital asset. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

BOARD OF COUNTY COMMISSIONERS
SULLIVAN COUNTY
EXIT CONFERENCE

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