

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

SULLIVAN COUNTY, INDIANA

January 1, 2020 to December 31, 2020



**FILED**  
03/23/2022



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i> .....	3-4
Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance .....	5-7
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards .....	10-11
Notes to Schedule of Expenditures of Federal Awards.....	12
Schedule of Findings and Questioned Costs.....	13-20
Auditee-Prepared Document:	
Corrective Action Plan .....	22-25
Other Reports.....	26

SCHEDULE OF OFFICIALS

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



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF SULLIVAN COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of Sullivan County (County), for the year ended December 31, 2020, and the related notes to the financial statement, which collectively comprise the County's financial statement and have issued our report thereon dated March 16, 2022, wherein we noted the County followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statement, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2020-001, 2020-002, 2020-003, and 2020-004, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2020-001 and 2020-002.

***Sullivan County's Response to Findings***

The County's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statement, and, accordingly, we express no opinion on it.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth Kelley, CPA, CFE  
Deputy State Examiner

March 16, 2022



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

TO: THE OFFICIALS OF SULLIVAN COUNTY, INDIANA

**Report on Compliance for the Major Federal Program**

We have audited Sullivan County's (County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2020. The County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the County's compliance.

***Opinion on the Major Federal Program***

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

**Report on Internal Control over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statement of the County, as of and for the year ended December 31, 2020, and the related notes to the financial statement. We issued our report thereon dated March 16, 2022, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.



Beth Kelley, CPA, CFE  
Deputy State Examiner

March 16, 2022

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the County. The schedule and notes are presented as intended by the County.

SULLIVAN COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended December 31, 2020

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Justice</u>					
Crime Victim Assistance Crime Victim Assistance	Indiana Criminal Justice Institute	16.575	2017-VA-GX-0004	\$ -	\$ 31,403
Total - Department of Justice				-	31,403
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster Highway Planning and Construction Highway Planning & Construction	Indiana Department of Transportation	20.205	DES 1593108	-	98,556
Total - Highway Planning and Construction Cluster				-	98,556
Airport Improvement Program Airport Improvement Program	Direct Grant	20.106	AIP 3-18-0080-021-2020	-	22,368
COVID-19 - Airport Improvement Program Airport Improvement Program	Direct Grant	20.106	AIP 3-18-0080-020-2020	-	30,000
Total - Airport Improvement Program				-	52,368
Total - Department of Transportation				-	150,924
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus Relief Fund CARES Act Reimbursement	Indiana Finance Authority	21.019	2020	-	671,261
Total - Department of the Treasury				-	671,261
<u>Election Assistance Commission</u>					
COVID-19 - 2020 HAVA CARES Act Grant COVID-19 - 2020 HAVA CARES Act Grant	Indiana Secretary of State	90.404	IN20101CARES	-	1,473
Total - Election Assistance Commission				-	1,473

SULLIVAN COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended December 31, 2020

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Health and Human Services</u>					
Public Health Emergency Preparedness Public Health Emergency Preparedness	Indiana State Department of Health	93.069	NU90TP922052	-	27,662
Immunization Cooperative Agreements Immunization Cooperative Agreements	Indiana State Department of Health	93.268	NH23IP922631	-	3,073
Child Support Enforcement Clerk IV-D Expenditures	Indiana Department of Child Services	93.563	2020	-	28,517
Prosecutor IV-D Expenditures			2020	-	98,966
County General IV-D Indirect Costs			2020	-	26,155
Clerk IV-D Incentives			2020	-	7,872
Prosecutor IV-D Incentives			2020	-	1,550
Total - Child Support Enforcement				-	163,060
Total - Department of Health and Human Services				-	193,795
<u>Department of Homeland Security</u>					
Emergency Management Performance Grants Dept of Homeland Security	Indiana Department of Homeland Security	97.042	EMC-2018-EP-00005	-	25,638
BRIC: Building Resilient Infrastructure and Communities BRIC: Building Resilient Infrastructure and Communities	Indiana Department of Homeland Security	97.047	EMC-2017-PC-0004	-	7,590
Total - Department of Homeland Security				-	33,228
Total federal awards expended				\$ -	\$ 1,082,084

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

SULLIVAN COUNTY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Summary of Significant Accounting Policies**

*A. Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the County under programs of the federal government for the year ended December 31, 2020. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the County, it is not intended to and does not present the financial position of the County.

*B. Other Significant Accounting Policies*

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

**Note 2. Indirect Cost Rate**

The County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

SULLIVAN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	no

Identification of Major Program and type of auditor's report issued on compliance for it:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
21.019	COVID-19 - Coronavirus Relief Fund	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
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**Section II - Financial Statement Findings**

**FINDING 2020-001**

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness, Noncompliance

*Condition and Context*

The County had not established internal controls over the federal award information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the County's Schedule of Expenditures of Federal Awards (SEFA). The County Auditor prepared the SEFA without an oversight or review process in place to prevent, or detect and correct, errors on the SEFA.

SULLIVAN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Due to the lack of internal controls, the SEFA presented for audit contained the following errors:

1. The Highway Planning and Construction Cluster expenditures were overstated by \$967,423.
2. The Emergency Management Performance Grants expenditures were overstated by \$119,026.
3. Five federal grants were omitted from the SEFA, which resulted in a net understatement of expenditures by \$71,201.
4. Three federal grants had individually immaterial errors, which resulted in a net understatement of expenditures by \$35,724.
5. Other errors included incorrect or omitted program names and identifying numbers.

Audit adjustments were proposed, accepted by the County, and made to the SEFA presented in this report.

*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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control . . ."

SULLIVAN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 200.62 states in part:

*"Internal control over compliance requirements for Federal awards means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:*

(a) Transactions are properly recorded and accounted for, in order to:

(1) Permit the preparation of reliable financial statements . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

(b) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510 (b) states:

*"Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

SULLIVAN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition and Context*.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2020-002**

Subject: Financial Transactions and Reporting - County Auditor  
Audit Findings: Material Weakness, Noncompliance

*Condition and Context*

Deficiencies in the internal control system of 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 \$416,492; net overstatement of disbursements by \$330,976; and net understatement of beginning cash and investments by \$88,269.

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

*Receipts*

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

SULLIVAN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*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 an oversight, review, or approval process.

The lack of adequate internal controls and noncompliance were systemic issues throughout the audit period.

*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. . . ."

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](#)."

*Cause*

Management of the County had not established a proper system of internal control.

*Effect*

The failure to establish a system of internal controls enabled material misstatements or irregularities to remain undetected. The financial statement contained the errors identified in the *Condition and Context*.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

SULLIVAN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**FINDING 2020-003**

Subject: Financial Transactions and Reporting - County Treasurer  
Audit Finding: Material Weakness

*Condition and Context*

There were several 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 receipts.

*Receipts*

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

The lack of adequate internal controls was a systemic issue throughout the audit period.

*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. . . ."

*Cause*

Management of the County had not established a proper system of internal control.

*Effect*

The failure to establish a system of internal controls could have enabled material misstatements or irregularities to remain undetected.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

SULLIVAN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2020-004***

Subject: Financial Transactions - Clerk of the Circuit Court  
Audit Finding: Material Weakness

*Condition and Context*

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

*Cash and Investments*

Monthly bank reconciliations were performed; however, there was no evidence of internal controls in place to prevent, or detect and correct, errors in cash and investments, 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 and operating effectively.

The lack of adequate internal controls was a systemic issue throughout the audit period.

*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:

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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. . . ."

SULLIVAN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

Management of the County had not established a proper system of internal control.

*Effect*

The failure to establish a system of internal controls could have enabled material misstatements or irregularities to remain undetected.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

***Section III - Federal Award Findings and Questioned Costs***

No matters are reportable.

AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the County. The document is presented as intended by the County.

# Lee R. (Shelly) Hiatt Parris

*Sullivan County Auditor*

*"Proudly Serving Sullivan County"*

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## **FINDING 2020-001**

Contact Person Responsible for Corrective Action: Shelly Hiatt Parris  
Contact Phone Number: 812-268-4491

### Views of Responsible Official:

We concur with the findings.

### Description of Corrective Action Plan:

Internal controls are being put into place as follows:

Bakertilly will review everything in the grant schedule in Gateway

### Anticipated Completion Date:

By the end of April, 2022

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# Lee R. (Shelly) Hiatt Parris

*Sullivan County Auditor*

*"Proudly Serving Sullivan County"*

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## **FINDING 2020-002**

Contact Person Responsible for Corrective Action: Shelly Hiatt Parris  
Contact Phone Number: 812-268-4491

Views of Responsible Official: We concur with the findings

### Description of Corrective Action Plan:

The County Auditor is diligently working on getting Internal Controls set into place in the County Auditor's Office. There will be segregation of duties concerning receipting and disbursements.

#### Receipts:

The person receipting in will be signing or initialing the receipt and the person doing the Quietus will be signing or initialing the Quietus.

#### Disbursements:

One person will be preparing the vendor and another person will be preparing the payroll claims.

Another person will print and post vendor and payroll claims

Another person will process the claims and the County Auditor will review the claims and sign the claims if there are no questions. This approval process has already been instituted.

The approval by the County Auditor of payroll claims will be instituted with the next cycle of payroll.

### Anticipated Completion Date:

By the of May, 2022

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## CORRECTIVE ACTION PLAN

### **FINDING 2020-003**

Contact Person Responsible for Corrective Action: Janna J Johnson

Contact Phone Number: 812-268-6410

Views of Responsible Official:

I agree with the result of this finding, this is why we change our internal controls upon realization of this issue in August of 2021

Description of Corrective Action Plan:

Listed below are the internal control steps that have been applied

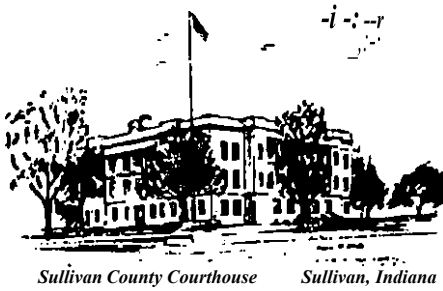
- County Departments bring checks to the Treasurer's office to be quietused into their funds. Each Department brings their checks and an application to pay of what the checks are for.
- Deputies verify the amount of the check, initial and date it, then County department takes that to the Auditor's office.
- The original check is then placed in the quietus drawer in the safe.
- The Auditor's office brings over the Quietuses by 3:00pm every day.
- Any deputy is able to create the daily deposit summary for the Quietuses. This varies based on the daily workload, normally this would be the Chief Financial Deputy.
- Deputy matches the receipts received from the Auditor's office with the checks in the Quietus drawer then records amounts on the daily deposit summary and checks it off in the Low system.
- Deputy matches Treasurer EFT receipts with EFT quietuses.
- All Quietus items are given to a different deputy for verification.
- Chief Financial deputy checks the quietus folder at the end of the day and alerts Auditor's office for any check that have not received quietuses.
- All paperwork is placed in the Treasurer's Daily folder by the person verifying the quietus batch to be entered on the cashbook.
- Cash and checks are placed in bank bag for deposit into the bank at the end of operation.

Anticipated Completion Date:

I have already taken corrective action on this internal control issue in August of 2021

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Hours: 8:00AM – 4:00PM M-F



*Tonya Bedwell*

Clerk of Sullivan County  
Circuit and Superior Court  
P.O. Box 370  
Sullivan, Indiana 47882-0370

Phone: 812-268-4657

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### Corrective Action Plan

FINDING 2020-004

Contact Person Responsible for Corrective Action: Tonya Bedwell, Clerk  
Contact Phone Number: 812-268-4657

Views of Responsible Official: I agree that implementing initials will allow a visual of the review and show the documentation.

Description of Corrective Action

Plan:

#### Cash and Investments

The Clerk will implement a set of 2 initials to the monthly reconciliation report in the internal control process that is already in place that will show documentation of the review that took place.

#### Receipts

The Clerk will implement a set of 2 initials, 1 set of initials will be from the individual that has prepared the deposit and the other initial will be from the individual that took the deposit to the bank. This will be added to the internal control process that is already in place to show documentation of the review.

#### Disbursements

The Clerk will implement a set of 2 initials to the internal control process that is already in place that will show documentation of the review that took place of the issue of checks.

Anticipated Completion Date:

I have already implemented the above changes in February 2022 to show that the internal controls are taking place.

#### OTHER REPORTS

In addition to this report, other reports may have been issued for the County. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.