

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

PULASKI COUNTY, INDIANA

January 1, 2021 to December 31, 2021



FILED
08/26/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Laura M. Wheeler	01-01-21 to 12-31-22
County Treasurer	Teresa L. Bryant	01-01-21 to 12-31-22
Clerk of the Circuit Court	JoLynn Behny	01-01-21 to 12-31-22
County Sheriff	Jeffery K. Richwine	01-01-21 to 12-31-22
County Recorder	Susan J. Fox	01-01-21 to 12-31-22
President of the Board of County Commissioners	Charles R. Mellon, Jr.	01-01-21 to 12-31-22
President of the County Council	Kenneth Boswell	01-01-21 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF PULASKI COUNTY, INDIANA

This report is supplemental to our audit report of Pulaski County (County), for the period from January 1, 2021 to December 31, 2021. 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.

Beth Kelley, CPA, CFE
Deputy State Examiner

August 15, 2022

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COUNTY AUDITOR
PULASKI COUNTY

COUNTY AUDITOR
PULASKI COUNTY
AUDIT RESULTS AND COMMENTS

ACCOUNTING FOR THE IFA ADMINISTERED CORONAVIRUS RELIEF FUND MONEY

The same comment appeared in the immediately prior Report B57604.

Condition and Context

The County did not properly account for the Coronavirus Relief Fund (CRF) in accordance with the options outlined in State Examiner Directive 2020-3 (Directive).

The County receipted the Indiana Finance Authority (IFA) reimbursement of \$40,455 into the CARES Public Safety Payroll fund (CARES fund) where the balance remained as of December, 31, 2021. The expenditures upon which the reimbursement was based should have been recorded in the CARES fund or the reimbursed amount transferred through the claims process to the General fund. Either of these two methods would have allowed for proper processing and recording as outlined in the Directive. Even though the guidance in the Directive was not followed, the amount reported on the County's Schedule of Expenditures of Federal Awards (SEFA) for the year was correct.

Criteria

Each local unit of government that receives an allocation from the Coronavirus Relief Fund administered by IFA shall establish a separate CARES grant fund with a fund number consistent with memorandum *Accounting and Appropriation of COVID-19 Grants*, April 29, 2020 (updated September 29, 2020). . . .

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options.

Option One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and re-appropriate the general fund (or other fund) in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the general fund (or other fund), it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once option one is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund.** . . .

Option Two. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

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AUDIT RESULTS AND COMMENTS
(Continued)

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020.** (State Examiner Directive 2020-3)

Accounting and Appropriation of COVID-19 Grants, April 29, 2020 (updated September 29, 2020) states in part:

". . . counties and cities/towns received a specific fund number assigned for CARES Act Provider Relief (CARES) distribution specifically related to Medicare fee-for-service. This guidance, including fund number and name, should still be followed. . . .

In anticipation of several separate funds being necessary, the following fund numbering system should be followed:

Counties: 8901-8925. . . ."

ANNUAL AND MONTHLY UPLOADS

Condition and Context

The County Auditor did not upload the required documents to the Indiana Gateway for Government Units (Gateway) financial reporting system timely. With the exception of the County Board minutes from January to September, which were uploaded October 28, 2021, all other monthly and annual required documents were not uploaded until May 10, 2022.

Criteria

This amended directive is effective starting with December 2020 monthly files. The upload of December 2020 monthly files will be due February 15, 2021, and by the 15th of each month thereafter unless the State Board of Accounts (SBOA) establishes a different date. This is effective for 2020 annual files which will be due for upload March 1, 2021, for calendar year end units. . . . Thereafter, annual file must be uploaded no later than March 1st . . . for the prior year unless the SBOA establishes a different date. . . .

The following files and governmental unit information are required to be uploaded monthly except as noted: . . .

For County Auditors:

- Approved Board Minutes, please see the user guide for more information and examples
- Funds Ledger, summarizing total receipts, disbursements, and beginning and ending balances by fund
- Documentation of Reconciliation of Form 61 between Auditor and Treasurer . . .

The following files and governmental unit information are required to be uploaded annually (for Counties, these apply to County Auditors unless otherwise noted): . . .

- Detail of Receipts for the year
- Detail of Disbursements for the year

COUNTY AUDITOR
PULASKI COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- Current year Salary Ordinance (or Schedule) and Amendments (except Schools)
- Annual Vendor History Report
- Annual Payroll History Report, without social security numbers
- Annual Funds Ledger, summarizing year-to-date total receipts, year-to-date disbursements, and beginning and ending balances by fund . . .

(Amended State Examiner Directive 2018-1)

FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

There were deficiencies in the internal control system of the County related to financial transactions and reporting. The County had not designed an effective system of internal control or separated incompatible activities related to receipts.

The County had not designed or implemented effective internal controls to ensure that receipts were recorded in the proper fund.

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. . . ."

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

The County allocated at least 50 percent of the Motor Vehicle Highway (MVH) distributions to be used for construction, reconstruction, and preservation of the County's highways to the MVH Restricted fund. Ten MVH Restricted fund disbursements for payroll costs were tested, and two of the disbursements did not have documentation to support the time paid was spent working on construction, reconstruction, or preservation.

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AUDIT RESULTS AND COMMENTS
(Continued)

In addition, for 19 of the 26 employees paid with highway funds, 30 percent of their base pay was paid from the MVH Restricted fund with no documentation provided to support that the time paid was spent on allowable MVH Restricted activities.

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."

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)

COUNTY AUDITOR
PULASKI COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 15, 2022, with Laura M. Wheeler, County Auditor; Teresa L. Bryant, County Treasurer; Charles R. Mellon, Jr., President of the Board of County Commissioners; Kenneth Boswell, President of the County Council; and Kathleen Thompson, County Council member.