

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

AUDIT REPORT

OF

COUNTY HIGHWAY DEPARTMENT

DAVISS COUNTY, INDIANA

January 1, 2005 to December 31, 2006



**FILED**

05/01/2007



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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Highway Superintendent	Larry McLin	01-01-05 to 12-31-07
President of the County Council	Jack Graber	01-01-05 to 12-31-05
	John Myers	01-01-06 to 02-28-06
	Kenny Soliday	03-01-06 to 12-31-06
	Loretta Kendall	01-01-07 to 12-31-07
President of the Board of County Commissioners	Jim Truelove	01-01-05 to 12-31-05
	Tony Wichman	01-01-06 to 12-31-06
	Steve Myers	01-01-07 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF DAVIESS COUNTY

We have audited the records of the County Highway Department for the period from January 1, 2005 to December 31, 2006, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Annual Reports of Daviess County for the years 2005 and 2006.

STATE BOARD OF ACCOUNTS

April 4, 2007

COUNTY HIGHWAY DEPARTMENT  
DAVISS COUNTY  
AUDIT RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

Our audit disclosed that internal control over capital assets was inadequate to provide reasonable assurance that reliable data is obtained, recorded, and maintained properly to permit the preparation of accurate financial statements. Instances were found where the County Highway Department's capital asset listing had inaccurate information recorded. Also, no information was presented for audit to indicate verification was made of the capital asset inventory for 2005 or 2006.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of managements objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Asset Ledger, County Form 146, or properly approved form, as applicable. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

CONTRACTS

In our audit of the County Highway Department's accounts receivable, we noted one invoice to Boyd Grain, a nongovernmental company, for repair of a road. The company was credited for the same amount of the invoice because the Highway Department had occasionally used their equipment throughout the year. This trade of services was not supported by a contract or written authorization from the Board of County Commissioners.

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

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

INTERNAL CONTROL

In 2005, we observed payments credited to Daviess County Highway Department's account with a stone vendor that were not paid with a County warrant. Some of these payments were made by the Industrial Revolving Fund, a nonprofit entity formed to promote economic development in Daviess County.

COUNTY HIGHWAY DEPARTMENT  
DAVISS COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

However, other payments were made by TSP Development LLC, as shown by copies of checks and weigh tickets provided by the vendor. The purchase order line on the weigh tickets lists "TSP" which is inconsistent with the notation usually listed on the County's weigh tickets. This indicates that the stone was delivered to a business instead of County property. Many of the weigh tickets were signed by Jim Truelove, Daviess County Commissioner.

Per the vendor, TSP Development LLC received the County's rate on the stone and did not pay sales tax.

Daviess County should have policies in place to prevent county officials or employees from using the County's tax exempt number when making private purchases. The policy should reduce the risk of public funds or government employees' work time being used for personal purposes.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making.

SUPPORTING DOCUMENTATION

Several payments for travel expenses and petty cash were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

Claims for travel expenses should not be reimbursed without properly itemized restaurant receipts and hotel bills attached. Claims for refills of office petty cash should agree with the total of attached receipts for items purchased from the petty cash.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit 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 Counties, Chapter 3)

COUNTY HIGHWAY DEPARTMENT  
DAVISS COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on April 4, 2007, with Steve Myers, President of the Board of County Commissioners; Jim Truelove, Vice President of the Board of County Commissioners; and Larry McLin, County Highway Superintendent. The official response has been made a part of this report and may be found on page 7.

## STATE BOARD OF ACCOUNTS

I Jim Truelove am responding to the audit performed by Laura Ping and Lynne Spencer. I want to make it perfectly clear that all invoices were paid by T.S.P. and that I didn't agree with using Jim Truelove a Daviess County Commissioner in the audit letter and that T.S.P. should have been the company addressing the complaint. I think that I was targeted personally and not the corporation that I am only one of three individuals that make up this construction group. This response was prepared on Thursday April the 5<sup>th</sup>.