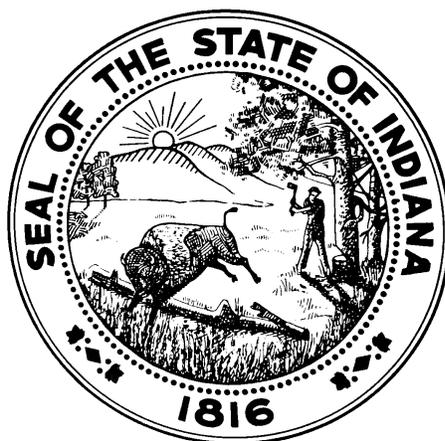


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF
COUNTY COUNCIL
HENRY COUNTY, INDIANA
January 1, 2007 to December 31, 2007



FILED
09/26/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
County Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Food and Beverage Tax Fund.....	4-5
Personal Use of Vehicles	5
Exit Conference.....	6

COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Linda S. Ratcliff	01-01-07 to 12-31-10
President of the County Council	Robert L. Veach	01-01-07 to 12-31-08
President of the Board of County Commissioners	Philip J. Estridge	01-01-07 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF HENRY COUNTY, INDIANA

We have audited the records of the County Council for the period from January 1, 2007 to December 31, 2007, 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 Report of Henry County for the year 2007.

STATE BOARD OF ACCOUNTS

July 23, 2008

COUNTY COUNCIL
HENRY COUNTY
AUDIT RESULTS AND COMMENTS

FOOD AND BEVERAGE TAX FUND

The following problems were noted with the accounting procedures of the Food and Beverage Tax Fund:

Internal Controls

The following prescribed forms were not in use for the transactions and balances of the Food and Beverage Tax Fund:

- 352, General Receipt
- 354, General Claim
- 356, General Check
- 358, Ledger of Receipts, Disbursements and Balances
- 359, Ledger of Appropriations, Encumbrances, etc.
- 360, Monthly Financial Depository Statement and Reconciliation

Because the County did not maintain these forms, the Food and Beverage Tax Fund was omitted from the County Annual Report prepared by the County. If all of the transactions of the Fund were made through the Auditor's recordkeeping system, then all of the necessary forms would be in use and this comment would not apply.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and record, 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. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

Condition of Records

We examined accounting records from two sources in order to obtain a complete accounting of the cash transactions and investment balances of the Food and Beverage Tax Fund. The Auditor's ledger presents only an agency fund accounting for the receipts of the monthly food and beverage tax collections from the State of Indiana and the transfer of these funds to First Merchants Bank (Trustee). The County did not have all the bank statements for 2007 and the Trustee did not prepare an annual report for 2007.

COUNTY COUNCIL
HENRY COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

The Auditor must maintain a record of all transactions in the Food and Beverage Tax Fund as required by the following statute:

Indiana Code 6-9-25-8 states: "(a) If a tax is imposed under section 3 of this chapter, the county treasurer shall establish a food and beverage tax receipts fund. (b) The county treasurer shall deposit in this fund all amounts received under this chapter. (c) Any money earned from the investment of money in the fund becomes a part of the fund."

PERSONAL USE OF VEHICLES

Several nonemergency employees are allowed use of county owned vehicles for commuting purposes. The County did not include the value of the benefit on the W-2s for the employees.

According to Internal Revenue Publication 15-B employers must determine the value of a vehicle provided to an employee for commuting use by multiplying each one-way commute (that is, from home to work or from work to home) by \$1.50. If more than one employee commutes in the vehicle, this value applies to each employee. This amount must be included in the employee's wages or reimbursed by the employee.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

COUNTY COUNCIL
HENRY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 23, 2008, with Cheryl Scales, Chief Deputy Auditor; Kim Cronk, County Council member; and Robert L. Veach, President of the County Council.