

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

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



**FILED**  
10/17/2008



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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**  
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TO: THE OFFICIALS OF HENRY COUNTY

We have audited the records of the Board of County Commissioners 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

BOARD OF COUNTY COMMISSIONERS  
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.

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."

BOARD OF COUNTY COMMISSIONERS  
HENRY COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

INTERNAL CONTROL OVER FINANCIAL MANAGEMENT

Henry County received federal Airport Improvement Program funds for reimbursement of costs which had been previously paid from a Food and Beverage Tax project in amounts totaling \$90,000. The amount of costs which were claimed as the federal share was \$85,500. The \$90,000 Food and Beverage Tax project was a separate but related project. The expenses were for engineering costs provided by two engineering firms. The reimbursement claim forms are prepared by one of the engineering firms. The official who approves the reimbursement request is the president of the New Castle-Henry County Board of Aviation Commissioners. Nobody at the County level reviews the reimbursement requests prior to submission. These funds have not been returned to the awarding agency and remain in the County's Airport Projects Fund. The following schedule demonstrates the payments from Food and Beverage Tax Fund which were claimed as expenses for reimbursement from the Airport Improvement Program.

Reimbursement Request	Date of Request	Reimbursement Amount	Amount of Request Previously Paid From Food and Beverage Tax Fund	Date Claims Had Been Previously Paid From the Food and Beverage Tax Fund
#1	03-26-07	\$ 58,401	\$ 56,875	04-06-05, 07-06-05 and 02-22-06
#2	03-26-07	28,277	19,641	04-06-05, 07-06-05
#5	09-24-07	75,691	13,484	11-07-07

Also, Henry County incurred expenses for the airport and requested and received reimbursement. There were significant time delays in payment of vendors upon receipt of the reimbursements. The following schedule details the delays between receipt of and disbursement of funds.

Reimbursement Request	Date of Receipt	Date of Disbursement
#1, #2, and #3	07-10-07	11-06-07
#4	08-10-07	12-26-07

The County has not implemented adequate internal accounting controls to minimize the time between transfer of funds and their disbursement. 31 CFR 205.11 states in part: "(a) A State and Federal Program Agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the State's payout of funds for Federal assistance program purposes, whether the transfer occurs before or after the payout of funds."

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Uniform Compliance Guidelines Manual for Counties, Chapter 1)

BOARD OF COUNTY COMMISSIONERS  
HENRY COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

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. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 2)

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)

BOARD OF COUNTY COMMISSIONERS  
HENRY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on July 23, 2008, with Larry D. Hale, County Commissioner. The official response has been made a part of this report and may be found on page 8.



## **HENRY COUNTY COMMISSIONERS**

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### OFFICIAL RESPONSE

Fiscal Year	2007
Auditee Contact Person	Philip J. Estridge
Title of Contact Person	President, Board of Commissioners of Henry County
Phone Number	765-529-4705

The Board of Commissioners is drafting and will mail a letter to aviation board members suggesting that the board appoint its treasurer grant administrator to oversee grants and claims.