

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

AUDIT REPORT  
OF  
BOARD OF COUNTY COMMISSIONERS  
CLARK COUNTY, INDIANA  
January 1, 2009 to December 31, 2009



**FILED**  
01/07/2011



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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of the Board of County Commissioners	M. Edward Meyers	01-01-09 to 12-31-10
President of the County Council	David Abbott Jack Coffman	01-01-09 to 12-31-09 01-01-10 to 12-31-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF CLARK COUNTY

We have audited the records of the Board of County Commissioners for the period from January 1, 2009 to December 31, 2009, 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 Clark County for the year 2009.

STATE BOARD OF ACCOUNTS

September 30, 2010

BOARD OF COUNTY COMMISSIONERS  
CLARK COUNTY  
AUDIT RESULTS AND COMMENTS

FINANCIAL OPINION MODIFICATION

The Schedule of Expenditures of Federal Awards is required by the U.S. Office of Management and Budget Circular A-133, Audits of States, and Local Governments, and Non-Profit Organizations for entities receiving federal funds in excess of \$500,000 in order to summarize the use of federal monies received. The County did not have procedures in place whereby grants applied for by the various County Departments and approved by the County Commissioners are summarized and the information coordinated with the County Auditor's office in order for financial activity associated with federal grant funds awarded to be properly identified and recorded in the financial records. Due to deficiencies in accounting for and summarizing federal grant funding, the State Board of Accounts was unable to provide an unqualified opinion on the Schedule of Expenditures of Federal Awards.

The following problems were identified with controls over financial activity for federal funds:

1. Monies received and disbursed associated with federal grants were not always accurately and separately identified in the County's financial records. In addition, a system was not in place to identify and summarize all federal funds received by the County and to identify the related Federal Agency making the award, the Catalog of Federal Domestic Assistance (CFDA) title and number associated with the award amount, project award number, and if applicable, the name of the pass-through entity.
2. Information was also not provided by the County to properly segregate additional funds received under the American Recovery and Reinvestment Act (ARRA stimulus funds) from regular federal awards as required.
3. Separate recording and identification of federal grants in the financial ledgers is required to assist the County in its preparation of the "Schedule of Expenditures of Federal Awards." As a result of not having a system in place to properly identify financial activity associated with federal programs, the County did not prepare the required financial schedule. With the exception of the Airport Improvement Grant Program, information for the preparation of the County's Schedule of Expenditures of Federal Awards was prepared by the State Board of Accounts based upon information obtained from the Auditor of State regarding federal funds passed through to the County by the State. The Schedule was determined to be a reasonable representation of federal monies received by the County as the majority of the County's federal funds are received via State agencies; however, it could not be determined with certainty that the Schedule prepared included all federal monies, monies were reported under the correct CFDA number and award number, and the proper pass-through entity was identified.
4. Information was not available to properly identify monies received by the County related to its child support enforcement program. The State sends the County funds that are comprised of reimbursements for various different programs. A notification is sent to the County that identifies the various different revenue sources. The County receipted these monies to its records into one revenue category that did not break down the source of the revenue as it relates to various state and federal programs. The County did not retain the information provided by the state showing the breakdown of the monies received. As a result, we were not able to properly match the federal receipts with the federal expenditures claimed under the program which could result in the improper reporting of activity in the Schedule of Expenditures of Federal Awards.

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

Circular A133 Subpart C section .300(a) states the auditee shall:

"Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity."

Circular A133 Subpart C section .300(b) states the auditee shall:

"Maintain internal control over Federal programs that provide reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

CUMULATIVE CAPITAL DEVELOPMENT FUND DISBURSEMENTS

The Board of County Commissioners approved the following disbursements from the Cumulative Capital Development Fund during the year 2009:

<u>Disbursements</u>	<u>Amount</u>
Office supplies	\$ 4,483
Highway 62 traffic impact study	5,000
County highway supplies (guardrails, posts, etc.)	31,304
Portable toilet	75
Pest control at highway garage	1,300
Signal lights on Highway 62	<u>185,000</u>
 Total	 <u>\$ 227,162</u>

We noted the following regarding the above disbursements:

1. The Board of County Commissioners did not obtain an appropriation from the County Council.

IC 36-2-5-2(b) states:

"The county fiscal body shall appropriate money to be paid out of the county treasury, and money may be paid out of the treasury only under an appropriation made by the fiscal body, except as otherwise provided by law."

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

2. Ordinance 6-2004, that established the Cumulative Capital Development Fund, did not authorize the type of disbursements reported in the above schedule.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

A similar comment was made in prior Report B37129.

FAILURE TO APPROPRIATE FUNDS

The Board of County Commissioners, by statute, is responsible for the construction, management and oversight of the County's jail facilities. Costs for the operation of this facility are paid from the County's General Fund which includes, but is not limited to, the cost of staffing, utilities and housing of prisoners. Services are also provided through the jail facilities to outside Federal, State and local entities for the housing of prisoners and housing related expenses. The County bills these Federal, State, and local entities for these services and historically had receipted these monies into the fund from which the costs were paid, the General Fund.

On January 25, 2007, the Board adopted Ordinance 3-2007 creating the Clark County Adult and Juvenile Facilities Usage Fund. The Fund, as established, had no financial activity until the year 2008. Based on the Ordinance, funding will be all monies received from external government agencies (Federal, State, local, or other) for rental of space (housing of prisoners) in the adult jail or juvenile detention center and other reimbursements received by the County Sheriff. The Ordinance further states that the fund may be expended, only upon approval by the Board in writing, without the necessity of further appropriation for County facility repairs, maintenance, oversight, equipment and any other public expenditure deemed necessary to the public interest by the Board.

Reimbursements received during the year 2009 and receipted into the Clark County Adult and Juvenile Facilities Usage Fund from Federal, State, and local entities for the housing of prisoners and prisoner related costs totaled \$843,228. Disbursements made without appropriation from this Fund were as follows:

<u>Description</u>	<u>Amount</u>
Sheriff's Dept./Jail Facility Operational Costs and Equipment	<u>\$ 567,486</u>

IC 36-2-5-2(b) states:

"The county fiscal body shall appropriate money to be paid out of the county treasury, and money may be paid out of the treasury only under an appropriation made by the fiscal body, except as otherwise provided by law."

IC 36-1-2-6 defines fiscal body as the County Council.

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

IC 36-1-3-6(a) (Home Rule Statute) states:

"If there is a constitutional or statutory provision requiring a specific manner for exercising a power, a unit wanting to exercise the power must do so in that manner."

The County Bulletin and Uniform Compliance Guidelines, October 2001 states the following:

"A unit may exercise its Home Rule powers whenever it is 'necessary or desirable' to exercise any power, perform any function, provide any service - - and create the structural elements or procedures to do so - - and;

- (1) the laws and constitutions of the state and federal governments do not expressly or implicitly prohibit or preempt it from doing so; and
- (2) state law does not already provide for exercising the power, providing the service, or performing the function or state law does provide for the foregoing but does not mandate any procedures to follow in implementing it."

There may be other laws under which funds may be disbursed without appropriation; however, appropriations are required before disbursements may be made from any fund subject to the Budget Laws unless specific authority to disburse without appropriation is provided by law. (The County Bulletin and Uniform Compliance Guidelines, April 2000)

It should be noted that establishing a new fund by diverting revenues that would normally go into the county general fund or by transferring by appropriation from the general fund to the new fund creates a possible future problem. After creating and funding the new fund, if the county appeals to the local government tax control board of the Local Board of Government Finance for an excessive levy (pursuant to Indiana Code 6-1.1-18.5-11 et seq), the control board may insist that any balance or balances of such funds must be transferred to the county general fund and considered prior to any anticipated relief from the control board. (The County Bulletin and Uniform Compliance Guidelines, January 2001)

A similar comment was made in prior Report B37129.

#### DEPARTMENT ANNUAL FINANCIAL REPORT

Financial activity for the Landfill Trust (Landfill Closure/Post Closure Fund) was not reported on the Supplemental CAR-1, a prescribed form. The Supplemental CAR-1 has been prescribed to summarize yearly financial activity associated with the County's departments for inclusion the County's Annual Financial Report. As a result, the County Auditor could not include financial activity of fund held in the Landfill Trust in the County's Annual Financial Report. During the course of the audit, adjustments were made to the County's Annual Financial report to incorporate the department's financial activity.

Failure of the department to provide information to the County Auditor to properly report all financial activity of the County could result in the State Board of Accounts not being able to provide an unqualified opinion on the Independent Auditor's Report.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

BOARD OF COUNTY COMMISSIONERS  
CLARK COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 30, 2010, with M. Edward Meyer, President of the Board of County Commissioners, and Jack Coffman, President of the County Council. The official response has been made a part of this report and may be found on pages 10 and 11.

# BOARD OF COMMISSIONERS OF CLARK COUNTY, INDIANA

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**M. Edward Meyer, President**  
**Mike Moore**  
**Les Young**

**Greg Fifer, County Attorney**  
**Hyun Lee, County Engineer**

September 30, 2010

Indiana State Board of Accounts  
302 W. Washington St., Room E418  
Indianapolis, IN 46204-2765

Re: Responses to 2009 Audit Comments

Please accept this letter as our response to the audit comments noted in the 2009 audit report for Clark County. In an effort to resolve the issues outlined below, we have contracted with a Certified Public Accountant to assist County officials and employees with suggestions for improved procedures and accounting practices.

## Financial Opinion Modification

Contact Person: M. Edward Meyer  
Title: President, Board of Commissioners of Clark County  
Phone Number: 812-285-6275

Procedures are being implemented to ensure the accuracy of Federal and State grant records. As recommended in the audit report, one individual will be responsible for coordinating grant activities. County employees will be trained to identify grant receipts and disbursements for proper recording in the ledgers and reconciliation with subsidiary grant records. Information relating to the proper identification of Federal, State and ARRA stimulus funds will also be maintained.

## Cumulative Capital Development Fund Disbursements

Contact Person: M. Edward Meyer  
Title: President, Board of Commissioners of Clark County  
Phone Number: 812-285-6275

The County will pay money out of the treasury only under an appropriation made by the fiscal body, except as otherwise provided by state statute or ordinance.  
Indiana State Board of Accounts

Failure to Appropriate Funds

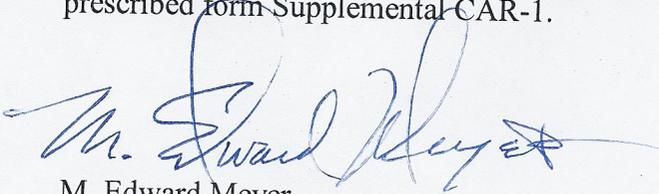
Contact Person: M. Edward Meyer  
Title: President, Board of Commissioners of Clark County  
Phone Number: 812-285-6275

The County will pay money out of the treasury only under an appropriation made by the fiscal body, except as otherwise provided by state statute or ordinance.

Department Annual Financial Report

Contact Person: M. Edward Meyer  
Title: President, Board of Commissioners of Clark County  
Phone Number: 812-285-6275

Financial activity for the Landfill Trust will be reported to the County Auditor's office on the prescribed form Supplemental CAR-1.

A handwritten signature in blue ink, appearing to read "M. Edward Meyer", with a stylized flourish at the end.

M. Edward Meyer  
President, Clark County Commissioners

Cc: Keith Groth, Clark County Auditor  
file