

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

AUDIT REPORT

OF

COUNTY SHERIFF

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>
Sheriff	Daniel Rodden	01-01-07 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
President of the Board of County Commissioners	M. Edward Meyer	01-01-09 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 County Sheriff 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

August 23, 2010

COUNTY SHERIFF
CLARK COUNTY
AUDIT RESULTS AND COMMENTS

DEPARTMENT ANNUAL FINANCIAL REPORT

Financial activity for the County Sheriff Department related to the Sheriff Meal Account and Sheriff Pension Plan was not properly reported. Financial activity related to the meal account was not reported on the Supplemental CAR-1, a prescribed form. The financial activity, as shown on the Supplemental CAR-1 report, prepared for the Sheriff Pension Fund was incomplete. Financial activity for the pension funds was only reported for seven months of the year. The pension plan changed trust administrators during the year and financial activity was omitted from the Supplemental CAR-1 related to the financial activity for the five months of the year associated with the previous trust administrator.

The Supplemental CAR-1 has been prescribed to summarize yearly financial activity associated with the County's department for inclusion in the County's Annual Financial Report. Failure of the department to provide accurate financial information to the County Auditor for incorporation into the County's Annual Financial Report 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)

COMMISSARY DISBURSEMENTS

A review of disbursements made from the Sheriff's Commissary Fund identified the following deficiencies:

1. The internal control system in place to document approval of purchases and the verification of the receipt of goods or services purchased was not properly designed or working as describe below:
 - a. No approval documentation exists for those purchases verbally approved by the Sheriff or for purchases made directly by the Sheriff. As a result, we could not determine if the items that did not have documentation of approval were actually approved or were simply handled by the Sheriff.
 - b. Requisition orders indicating purchase approvals were not filed with the invoices documenting the payments. The requisition orders were not filed in an organized manner to allow cross referencing with the actual invoices paid and did not have information on the requisition to indicate the related check number or payment date.
 - c. Requisitions did not always properly document what was actually being approved for purchase. In some instances the requisition orders simply had multiple vendor names on one requisition with no invoice numbers or dollar amounts referenced, thus it could not be determined what purchases were actually being approved.
 - d. Requisition forms were not always signed.

COUNTY SHERIFF
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- e. Purchases made for items related to jail maintenance did not have separate requisition forms used to indicate purchase approval and to document that goods or services were actually received. A log was maintained of all the purchase; however, the log did not contain any signatures or other documentation to indicate that the purchases were approved or that goods or services were actually received.
2. Receipts for expenditures paid by credit card by officers when traveling are filed, but they are not filed with the credit card statement documenting the disbursements. The receipts documenting the actual items purchased are filed in order of each officer with all travel expenses related to the trip including those not paid by credit card. The credit card statement does not indicate the officer that made the charge, thus there is not a system in place whereby the charges shown on the statement could easily be crossed referenced with the supporting documentation identifying what was purchased.
 3. For the 17 disbursement transactions reviewed, approximately half of the transactions did not have documentation itemizing the disbursements. The majority of these items were related to transactions charged on the credit card.

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.

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

INMATE TRUST AUDIT TRAILS

The computerized system utilized by the Sheriff's Department to record financial activity related to the Inmate Trust accounts does not provide sufficient audit trails to allow a transaction to be traced from the source document to final reporting and from final reporting back to an original source document. The following deficiencies were noted regarding audit trails:

1. If an error is made in recording an inmate's purchase of commissary items, the system allows the transaction to be voided and adds the amount of the voided transaction back to the balance of the inmate's account without showing a separate transaction identifying the amount added back and a referencing to the reason for the change.

COUNTY SHERIFF
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Adjustments made to the financial records should be referenced in the financial records to hardcopy documentation that provides an explanation as to the reason for the adjustment and approval as to the validity of the adjustment. Failure to have proper controls over adjustments could result in activity being recorded to the financial records with the intent to conceal fraud.

2. Audit trails do not exist to properly trace monies received from a person at the time the person is incarcerated to the amount recorded to the person's inmate trust record. Monies on hand at the time the person is incarcerated are receipted to the person's inmate trust account. However, instead of showing a receipt transaction recording with the applicable receipt number, amount received, and date the monies were received, the activity is simply shown as a beginning account balance.

An audit trail that allows the tracing of monies received from the original source document (receipt) to the ledger posting and from the ledger posting to the original receipt is needed to provide accountability over monies received.

3. Disbursement transactions posted to the inmate's account for the return of funds does not have a reference to the applicable check number issued.

An audit trail that allows the tracing of monies disbursed from the original source document (check) to the ledger posting and from the ledger posting to the original check is needed to provide accountability over monies disbursed.

4. The computerized accounting system in use does not have a method whereby all receipts issued through the system are sequentially generated on the report, in order, to verify the reports presented for examination contain all receipts issued.

The accountability over all receipts issued is needed to provide accountability over monies received.

5. The computerized accounting system allows for transactions to be deleted from the inmate's detail subsidiary records without leaving an audit trail.

The deleting of financial transactions without an audit trail could result in receipts not being properly recorded on the records or could be used to conceal improper expenditures.

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

COUNTY SHERIFF
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

INMATE TRUST RECORDS

Individual inmate records are kept as a subsidiary record to the Inmate Trust Ledger (control account). The individual inmate records show the amount of funds on hand for each individual inmate. The control account currently reconciles with the bank balance; however, the subsidiary records of the individual inmate's balances do not agree to the control account. An unidentified cash long (control account more than subsidiary record) of \$39,852 existed at December 31, 2009.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

OPTICAL IMAGES OF CHECKS

Financial institutions that did not return the actual cancelled checks with the monthly bank statements returned only an optical image of the front side of the checks. For any checks issued on county bank accounts, the optical image returned by the back should include both the front and the back of the check.

IC 5-15-6-3(a) concerning optical imaging of checks states in part:

"original records' includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Further, IC 26-2-8-111(a) and (e) state in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) Accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise: and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

COUNTY SHERIFF
CLARK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 23, 2010, with Daniel Rodden, Sheriff, and Connie Kitts, Bookkeeper. The official response has been made a part of this report and may be found on page 9.

The contents of this report were also discussed on September 30, 2010, with M. Edward Meyer, President of the Board of County Commissioners, and Jack Coffman, President of the County Council.

Audit Report Response:

Clark County Sheriff

The SBOA Audit Report, as given to the Clark County Sheriff has several items that have been brought to the attention of the staff and the Sheriff. The items represent instances of operating procedures that are sub-standard. These instances are works in progress for the Sheriff's office administration. As the Sheriff, I have attempted, each year to improve the performance of the staff. We have instituted new policies and have required more training and have asked our software vendor to improve its product to be more in line with accounting practices. I thank the SBOA for its cooperation and diligence in scrutinizing the Sheriff's Office operation. We will give our best effort to improve and resolve all the questions that the report has shown us.

Thank you for your help and understanding.

Daniel Rodden

Clark County Sheriff