

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

AUDIT REPORT  
OF  
COUNTY AUDITOR  
JENNINGS COUNTY, INDIANA  
January 1, 2010 to December 31, 2010



**FILED**  
08/17/2011



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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Janice L. Ramey	01-01-07 to 12-31-14
President of the County Council	Howard Malcomb	01-01-10 to 12-31-11
President of the Board of County Commissioners	Jeffery Day	01-01-10 to 12-31-11



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF JENNINGS COUNTY

We have audited the records of the County Auditor for the period from January 1, 2010 to December 31, 2010, 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 Result(s) and Comment(s). The financial transactions of this office are reflected in the Annual Report of Jennings County for the year 2010.

STATE BOARD OF ACCOUNTS

July 26, 2011

COUNTY AUDITOR  
JENNIINGS COUNTY  
AUDIT RESULT(S) AND COMMENT(S)

**CAPITAL ASSETS**

Capital assets purchased or disposed of by the County were not recorded in the Capital Asset records for the year ending December 31, 2010.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the Capital Assets Ledger. 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 County Auditors of Indiana, Chapter 20)

**APPROVAL OF ACCOUNTS PAYABLE VOUCHERS**

The Board of Commissioners established an Ordinance on April 28, 2003, titled "Establish Pre-Payment Procedures" which allows for the prepayment of certain claims by the County Auditor prior to Board approval. The Ordinance further states, that the prepaid claims must be approved at the next scheduled meeting of the Board of Commissioners.

During the audit it was noted that the claims prepaid by the County Auditor were not included on the County's Accounts Payable Voucher Registers (Register) nor were the Accounts Payable Vouchers (Claims) presented for examination and approval by the Board at the next scheduled meeting as required.

Failure to present all claims to the Board for approval could result in improper reporting and an environment for the potential for fraud to occur and go undetected.

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 County Auditors of Indiana, Chapter 14)

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 County Auditors of Indiana, Chapter 14)

Indiana Code 5-11-10-1.6(c) states in part:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . . (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim . . ."

Indiana Code 36-2-6-4.5 states in part:

"(a) A county executive may adopt an ordinance allowing money to be disbursed for lawful county purposes . . ."

COUNTY AUDITOR  
JENNIINGS COUNTY  
AUDIT RESULT(S) AND COMMENT(S)  
(Continued)

(b) . . . the prior written approval of the board having jurisdiction over the allowance of claims, the county auditor may make claim payments in advance of board allowance . . .

(d) The county executive or the county board having jurisdiction over the allowance of the claims shall review and allow the claim at its regular or special meeting following the preapproved payment of the expense."

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

We recommend that all claims be properly presented to the Board of Commissioners for proper approval as required.

**COMPENSATION**

We noted the following deficiencies regarding the compensation paid to County employees:

- 1 No Salary Ordinance for the salaries and wages paid in the year 2010 was presented for audit. It has been the practice of the County to approve the salary and wages of the county employees based on the Statement of Salaries and Wages Proposed to be Paid Officers and Employees (Form 144) which are submitted by each County Official or Department Head. The Form 144s are approved by the County Council. The approved salary and wage amounts from the Form 144 are used in the annual budget determination.

Indiana Code 36-2-5-11(c) states in part:

"At its annual meeting under Indiana Code 36-2-3-7(b)(2), the county fiscal body shall consider the statements and recommendations submitted by the county executive under section 4(b) of this chapter and shall then adopt an ordinance, separate from those adopted under subsection (b), fixing:

- (1) the compensation of all officers, deputies and other employees subjected to this chapter . . ."

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

2. Officeholders or department head were not submitting an amended Form 144 when they were requesting a change in employee compensation or changing the number of employees. The officeholder or department head would present their changes to the

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AUDIT RESULT(S) AND COMMENT(S)  
(Continued)

County Council during a scheduled meeting. The County Council would discuss the change and vote whether or not to approve it. Any decisions would be recorded in the County Council minutes.

Indiana Code 36-2-5-13(a) states in part:

". . . The compensation of other county officers, deputies, and employees or the number of each may be changed at any time on: (1) the application of the county fiscal body or the affected officer, department, commission, or agency; and (2) a majority of the county fiscal body."

To change the salaries of other officers, deputies, assistants and employees or the number of each, an amended Form 144 should be filed by the officer or department head, submitted to the county commissioners for renew and recommendations and then submitted to the county council for consideration. (The County Bulletin and Uniform Compliance Guidelines, October 2009)

3. For the payroll paid on November 10, 2010, only 18 of the 31 payroll claims submitted to the County Auditor were signed by the Official or Department Head as certifying that each employee listed performed the services for which the salaries or compensation is paid.

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 County Auditor of Indiana, Chapter 14)

4. In addition to his salary approved by the County Council on Form 144, the County Surveyor received compensation of \$10,000. According to the County Surveyor, this compensation which was approved by the County Council in the Surveyor's annual budget was for work performed on establishment and preserving cornerstones. The payment for the extra compensation was submitted to the County Auditor on three Accounts Payable Vouchers (Form 17) instead of submitting a Payroll Schedule and Voucher (Form 99). The compensation claims were included with the other County claims that were presented to the County Commissioners for their approval. As a result, these compensation payments were not processed through the County's payroll system.

Also, no Statement of Salaries and Wages Proposed to be Paid Officers and Employees (Form 144) or salary ordinance was presented for audit showing the approval of the extra compensation by the County Council. The total amount paid was approved by the County Council as an appropriation item in the County General Surveyor's annual budget or as an appropriation approval by the County Council in the County Surveyor's Cornerstone Perpetuation Fund.

Chad Ebinger, County Surveyor, stated that this method of payment of the additional compensation has been done since he became County Surveyor in 2001.

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 JENNIINGS COUNTY  
 AUDIT RESULT(S) AND COMMENT(S)  
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Indiana Code 36-2-5-3(a) states in part:

"The county fiscal body shall fix the compensation of officers, deputies, and other employees whose is payable from the county general fund . . . or any other fund which the county auditor issues warrants for compensation. This includes the power to: (1) fix the number of officers, deputies, and other employees; . . . (3) adopt schedules of compensation . . ."

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

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 County Auditor of Indiana, Chapter 14)

**ANNUAL REPORT**

Some receipts from various County funds were not properly categorized on the 2010 Annual Report. The following schedule shows examples of receipts categorized on the Annual Report incorrectly:

Fund	Category per Annual Report	Proper Category	Amount
Riverboat	Charges for Services	Intergovernmental	\$ 172,434
Drug Free Community	Intergovernmental	Charges for Services	12,293
Adult Probation Service	Intergovernmental	Charges for Services	68,988
Health Maintenance	Other	Intergovernmental	33,139
Supplemental Public Defender Services	Other	Intergovernmental	65,542
Supplemental Public Defender Services	Other	Charges for Services	3,672
School Debt Service	Charges for Services	Other	4,028,712
Solid Waste Settlement	Charges for Services	Other	174,133
Area Planning Nonreverting	License & Permits	Other	56,800
Area Planning Nonreverting	License & Permits	Intergovernmental	25,000

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AUDIT RESULT(S) AND COMMENT(S)  
(Continued)

**APPROPRIATIONS**

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Excess Amount Expended</u>
Rainy Day	\$ 5,000
Riverboat	4,616

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

Indiana Code 36-1-8-5.1(c) states: "The rainy day fund is subject to the same appropriation process as other funds that receive tax money."

**PUBLICATION OF NOTICE FOR ANNUAL BIDS**

The County received the following annual bids for materials and supplies to be purchased in 2010 without proper publication of notice to bidders:

1. Annual bids for diesel fuel, gasoline, oil and grease, crushed aggregates, sand, deicer sand, liquid asphalt, culvert pipes, ready mix concrete, and hot/cold mix asphalt were received by the County Commissioners on November 23, 2009. The notice to bidders was published on the local newspaper on November 17, 2009 and November 19, 2009.
2. Annual bids for crushed aggregate-delivered to the County were received by the County Commissioners on December 14, 2009. The notice to bidders was published in the local newspaper on December 3, 2009 and December 10, 2009.

Annual bids for diesel fuel, gasoline, oil and grease, crushed aggregates, sand, deicer sand, liquid asphalt, culvert pipes, ready mix concrete, and hot/cold mix asphalt to be purchased in 2011 were received by the County Commissioners on November 22, 2010. The notice to bidders for these items was published in the local newspaper on November 16, 2010 and November 18, 2010.

Indiana Code 5-3-1-2(e) states: "If the event is the receiving of bids, notice shall be published two (2) times, at least one (1) week apart, with the second publication made at least seven (7) days before the date the bids will be received."

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EXIT CONFERENCE

The contents of this report were discussed on July 26, 2011, with Janice L. Ramey, Auditor; Jeffery Day, President of the Board of County Commissioners; and Howard Malcomb, President of the County Council. The officials concurred with our audit findings.