

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

EXAMINATION REPORT
OF

SWITZERLAND COUNTY CONVENTION, RECREATION,
AND VISITOR INDUSTRY COMMISSION
SWITZERLAND COUNTY, INDIANA

January 1, 2007 to December 31, 2009



FILED
11/15/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	David Attaway T.J. Justice	01-01-07 to 09-03-10 09-04-10 to 12-31-11
Treasurer	Donna Graham Lisa Fisher	01-01-07 to 12-31-10 01-01-11 to 12-31-11
President of the Commission	Barbara Dowdy Ron Otter Donna Graham (Interim) Jo Ann Connolly	01-01-07 to 12-31-09 01-01-10 to 05-15-11 05-16-11 to 06-07-11 06-08-11 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF SWITZERLAND COUNTY CONVENTION, RECREATION,
AND VISITOR INDUSTRY COMMISSION, SWITZERLAND COUNTY, INDIANA

We were engaged to examine the financial statements of Switzerland County Convention, Recreation, and Visitor Industry Commission (Commission), for the period of January 1, 2007 to December 31, 2009. The Commission's management is responsible for the financial statements.

The Commission did not provide complete accounting records for the years 2007 and 2008 and did not provide supporting documentation for adjustments made to the accounting records for the year 2009. The Commission's records do not permit the application of other examination procedures to ascertain if the financial statements are fairly stated.

Since the Commission did not provide complete accounting records for the years 2007 and 2008 and did not provide supporting documentation for adjustments made to the accounting records for the year 2009, we were not able to apply other examination procedures to satisfy ourselves as to whether the financial statements are fairly stated and the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements.

An official's response to the Examination Results and Comments identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine the official's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Commission's management, Commission's Board, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 16, 2011

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FINANCIAL STATEMENT

SWITZERLAND COUNTY CONVENTION, RECREATION,
AND VISITOR INDUSTRY COMMISSION
STATEMENT OF CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
December 31, 2009

	Cash and Investments 12-31-09
General	\$ 234,415
Recap Grant	137,365
Special Projects	100,591
Payroll	2,819
Sales Account	<u>715</u>
Totals	<u>\$ 475,905</u>

SWITZERLAND COUNTY CONVENTION, RECREATION,
AND VISITOR INDUSTRY COMMISSION
EXAMINATION RESULTS AND COMMENTS

FINANCIAL REPORT OPINION MODIFICATION

The Commission did present sufficient accounting records for examination as more fully described in the Examination Result and Comment titled "Condition of Records." Therefore, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Accountant's Report for the financial statements.

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 Accountants' 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 Special Districts, Chapter 10)

CONDITION OF RECORDS

The following deficiencies related to the recordkeeping were present during the years 2007, 2008, and 2009:

1. The Commission did not file annual financial reports with the Indiana State Board of Accounts for the years 2007, 2008, and 2009.

Indiana Code 5-11-1-4 (effective prior to July 1, 2009) states in part: "The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. . . ., these reports shall be prepared, verified, and filed with the state examiner not later than thirty (30) days after the close of each fiscal year."

Indiana Code (effective July 1, 2009) states in part: "The state examiner shall require from every . . . local governmental unit . . . financial reports covering the full period of each fiscal year. These reports shall be . . . filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner . . ."

2. The computerized financial records that were in use for the year 2007 and for the period January 1, 2008 to June 30, 2008 provided monthly cash balances for each fund. However, the financial transactions (receipts and disbursements) were not recorded for the individual funds. Instead, all financial transactions were recorded by bank account.

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 Special Districts, Chapter 10)

3. The Commission began using a new accounting software program on July 1, 2008. No financial records were presented for examination which summarized the total receipt and disbursement transactions for the individual funds for the period July 1, 2008 to December 31, 2008.

SWITZERLAND COUNTY CONVENTION, RECREATION,
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EXAMINATION RESULTS AND COMMENTS
(Continued)

Donna Graham, former Treasurer, stated financial transactions for the period July 1, 2008 to December 31 2008, were recorded; however, due to computer problems, all of the information entered was lost. Donna Graham stated she reentered all financial transactions and due to subsequent computer problems the financial information was lost again. Donna Graham stated she did not perform a computerized backup of the financial records.

As a result, no reports or other supporting documentation showing the cash balances, receipts, disbursements, of Commission's funds for the period July 1, 2008 to December 31, 2008, were presented for examination.

Accounting information must be backed up on a periodic basis sufficient to allow restoration of the information in a timely manner. Periodically the backup media must be tested to assure restoration will occur accurately. One copy of the backup information must be retained off site. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 11)

4. Various adjustments were made to the accounting records at December 31, 2009. The following are examples of the adjustments made to the accounting records:

Fund	Transaction Type	Amount	Description
General	Disbursement	\$ (137,128.31)	Adjustment
RECAP	Disbursement	(364,459.36)	Adjustment
Special Projects	Disbursement	(192,726.43)	Adjustment
Payroll	Disbursement	560,806.40	No Description Noted
Payroll	Disbursement	(1,121,612.80)	Correct Mistake
Payroll	Receipt	556,675.13	No Description Noted
Payroll	Receipt	(1,113,350.26)	Correct Mistake

Donna Graham, former Treasurer, stated the above negative expenditures in the General Fund, RECAP Fund and Special Projects Fund were made to correct the cash balances as of July 1, 2008, which were recorded when starting the new software system. Donna Graham, former Treasurer, stated that the unexpended appropriation balances were erroneously used at July 1, 2008, rather than the actual cash balances. The Payroll Fund adjustments were to record transactions prior to 2009; however, the adjustments were done incorrectly and negative transactions were made to correct the first mistake.

Documentation was not presented for examination that associated the above adjustments with any specific previously recorded financial transactions.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

5. Reconcilements of record balances of cash and investments to depository balances were not presented for examination for the period July 2008 to November of 2009.

SWITZERLAND COUNTY CONVENTION, RECREATION,
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EXAMINATION RESULTS AND COMMENTS
(Continued)

The reconciliation as of December 31, 2009, presented for examination showed outstanding checks totaling \$61,583.43; however, the detail listing to identify the individual outstanding checks included posting error items which were not corrected as of December 31, 2009.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

6. The following schedule shows the number of the Commission's bank statements that were not presented for examination and the number of bank statements presented that were not original:

<u>Bank Account Number</u>	<u>No 2007 Bank Statement</u>	<u>No 2008 Bank Statement</u>	<u>No 2009 Bank Statement</u>	<u>No Original 2007 Bank Statement</u>	<u>No Original 2008 Bank Statement</u>
#2100703133	-	1	-	-	5
#6933760	-	6	-	-	-
#470990	1	1	1	-	-
#45883086	-	1	-	-	-
#177105	-	4	-	12	6
#906387	2	5	-	10	7
Totals	<u>3</u>	<u>18</u>	<u>1</u>	<u>22</u>	<u>18</u>

Indiana Code 5-15-6-3(f) concerning destruction of public records states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, 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. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

SALES ACCOUNT RECORDS

Prior to January 1, 2007, the Commission established a separate fund (Sales Account Fund) and bank account to account for monies collected on behalf of other entities. Examples of monies collected on behalf of other entities were: (1) the sale of theater tickets for a local theater and (2) the collection of camping fees for the Town of Vevay. Monies collected are subsequently remitted to the other entities. The following were noted regarding the accounting for these collections:

1. The financial activity for this fund was not recorded in the Commission's accounting records for the period July 1, 2008 to December 31, 2009.

SWITZERLAND COUNTY CONVENTION, RECREATION,
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EXAMINATION RESULTS AND COMMENTS
(Continued)

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines for Special Districts, Chapter 10)

2. Reconcilements of record balances of cash and investments to depository balances were not presented for examination for the Sales Account. The accounting records showed the cash balance in the amount of \$2,665.81 at December 31, 2009. The bank account balance for the Sales Account was \$715.23. One cause for the variance was financial transactions not being recorded to the accounting records (see item number 1).

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

CONFLICT OF INTEREST – BOOKKEEPING SERVICES

The Commission began paying Donna Graham, Commission member and Treasurer, \$600 per month beginning July 1, 2008, to perform bookkeeping services using a computerized accounting software program purchased by the Commission. Donna Graham was paid through the vendor claim process and was not paid through the Commission's payroll. Prior to July 1, 2008, the Commission's Treasurer was primarily responsible for signing checks and auditing claims while the bookkeeping duties were performed by a contractual accountant.

Donna Graham was paid \$3,200 and \$7,800 for the years 2008 and 2009, respectively, for this service. No conflict of interest statements and no written contract were presented for examination.

Prior to its amendment, effective July 1, 2011, Indiana Code 35-44-1-3 stated in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony. . . .

(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (4) If the public servant: (A) was appointed by an elected public servant . . . and (B) makes a disclosure under subsection (d)(1) through (d)(7). . . .

(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase; and (7) contain, if the public servant is appointed, the written approval of the elected public servant . . .

(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant . . ."

SWITZERLAND COUNTY CONVENTION, RECREATION,
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EXAMINATION RESULTS AND COMMENTS
(Continued)

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

CONFLICT OF INTEREST – BOARD MEMBER AWARDED GRANT

The Commission received a RECAP Grant from the Indiana Housing and Community Development Authority (IHCD). The grant was for facade renovations and related improvements to commercial and residential buildings in the commercial corridor targeted by the Commission. All grants were reviewed by the Vevay RECAP Large Project Facade Grant Committee that was made up of Vevay Main Street (not-for-profit organization) members who approved the project designs before awarding grant funds which were administered by the Commission.

A grant in the amount of \$30,000 was paid to Fisher Real Estate in the year 2009 to improve the entrance way and driveway at the Schenck Mansion, a bed and breakfast establishment. Lisa Fisher, Commission member, is the owner of Fisher Real Estate. No conflict of interest statement was presented for examination.

Prior to its amendment, effective July 1, 2011, Indiana Code 35-44-1-3 stated in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony. . . .

(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (4) If the public servant: (A) was appointed by an elected public servant . . . and (B) makes a disclosure under subsection (d)(1) through (d)(7). . . .

(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase; and (7) contain, if the public servant is appointed, the written approval of the elected public servant . . .

(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant . . ."

SWITZERLAND COUNTY CONVENTION, RECREATION,
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EXAMINATION RESULTS AND COMMENTS
(Continued)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The following was noted regarding payments made to employees:

1. The Commission's Board approved an annual stipend for employees equal to 4 percent of gross income for the years 2007, 2008, and 2009 in lieu of an employee retirement program. The annual stipends were paid directly to individual employees and ranged from \$715 to \$5,200 per employee for the year 2009.
2. The Commission reimburses employees a specified percentage of the employee's cost on the employee's personal insurance policy up to a maximum of \$300 per month. The Commission's personal service contract with David Attaway, former Executive Director provided for a monthly payment of \$300 for health insurance paid directly to David Attaway.
3. The Commission's personal services contract with David Attaway, former Executive Director, provided for the payment of a monthly car allowance in the amount of \$100 for the period March 15, 2006 to March 15, 2008, and in the amount of \$250 per month for the period March 15, 2008 to March 15, 2009.
4. The Commission's personal services contract with David Attaway, former Executive Director, provided for a monthly payment of \$550 to cover health insurance reimbursement and car allowance for the period March 15, 2009 to August 31, 2010. The contract did not specify an amount for each individual item.

The above payments were not processed through the Commission's payroll system resulting in no payroll taxes being withheld and the Commission not reporting and remitting the employer's share of social security taxes. In addition, the payments were not reported on the employee's Internal Revenue Service Form W-2.

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. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

EXECUTIVE DIRECTOR CAR ALLOWANCE

The Commission's personal services contracts with David Attaway, former Executive Director, provided for the payment of a monthly car allowance (see the Examination Result and Comment titled "Federal and State – Compliance Requirements"). No documentation of actual miles traveled on Commission business was reported on the claims filed by the former Executive Director.

A local unit is specifically authorized by statute to reimbursement its officers or employees for travel related expenses, the local unit may reimburse such persons for actual miles traveled in their own motor vehicles on official business of the local unit at the rate per mile indicated in the enabling statute. The mileage rate should be fixed by the board or commission having authority to approve claims for travel

SWITZERLAND COUNTY CONVENTION, RECREATION,
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EXAMINATION RESULTS AND COMMENTS
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expenses. No particular mileage rate has been set by the State of Indiana for local units of government and, consequently, the mileage rate lies within the discretion of legislative body, board or commission, unless otherwise provided by statute. The body setting the mileage rate should also determine whether parking fees and toll charges are included in the rate or, on the other hand, whether such expenses are to be reimbursed separately based on the submission of receipts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 14)

DISBURSEMENT PROCEDURES

Twenty-five percent of claims reviewed for the period January 1, 2007 to December 31, 2009, were not listed on an Accounts Payable Voucher Register (Form 364) documenting the Commission members' approval of disbursements.

Indiana Code 5-11-10-2 (a) states in part: "Claims against a political subdivision of the state must . . . be allowed by the governing body having jurisdiction over allowance of such claims before they are paid."

PENALTIES AND INTEREST

The Commission was assessed penalties and interest during the year 2009 for not paying amounts owed by the required due date as shown in the following schedule:

Payee	Amount
Governmental Agencies:	
Internal Revenue Service	\$ 5.13
Indiana Department of Revenue	222.07
Indiana Department of Workforce Development	164.50
Private Vendors:	
Embarq	53.33
Duke Energy	24.48
First National Bank of OM	128.68
Total Penalties and Interest	\$ 598.19

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

SWITZERLAND COUNTY CONVENTION, RECREATION,
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EXAMINATION RESULTS AND COMMENTS
(Continued)

ANNUAL BUDGET

The Commission prepared an annual operating budget for the years 2007, 2008, and 2009. No evidence was presented for examination to indicate that the annual budgets were submitted to the Switzerland County Council for their review and approval.

Indiana Code 6-9-18-6(b) states in part:

"The commission shall annually prepare a budget . . . and submit it to the county fiscal body for its review and approval. An expenditure may not be made . . . unless it is in accordance with an appropriation made by the county fiscal body in the manner provided by law."

SWITZERLAND COUNTY CONVENTION, RECREATION,
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EXIT CONFERENCE

The contents of this report were discussed on August 16, 2011, with Jo Ann Connolly, President of the Commission; Donna Graham, Commission member and former Treasurer; and T.J. Justice, Executive Director.

The contents of this report were discussed on August 16, 2011, with Lisa Fisher, Treasurer. The official response has been made a part of this report and may be found on page 16.

The contents of this report were discussed on August 23, 2011, with Ron Otter, former Commission member and former President of the Commission. The official concurred with our findings.

I wish to make an Official Response to the Audit Report for the Switzerland County Convention, Recreation and Visitor Industry Commission for the year 2007, 2008 and 2009. The board members present for the report were, Joanne Connelly - current board President, Lisa Fisher - current board Treasurer, and Donna Graham- board Treasurer 07,08,09 and current Vice President. Executive Director - T.J. Justice, Natasha Turner - Office Manager, and Rick Ahlrich- State Board of Accounts. Report was given on August 16, 2011

I am Lisa Fisher, a Board member and co-owner of The Schenck Mansion Bed and Breakfast in Vevay , Indiana. My husband and I applied for a facade Grant after Vevay was awarded the RECAP grant from the State of Indiana. We were awarded the maximum grant for a large façade which totaled \$30,000. I wanted to mention that this grant was run through the office of tourism, but The tourism board or it's members had nothing to do with who was awarded the grant. A community grant committee was established to revue the applicants and Award accordingly. We were in the planning stages of changing our exterior Grounds to accommodate large weddings. When our then Executive Director Heard that we were making some changes. He approached us and even brought Us an application for the grant. He did this to several business owners in town. His goal was to use the state grant money exactly how the state wanted it to be used. Our project met the criteria and we were awarded the grant. Where the grey area Comes in is that I was not instructed to put this on a conflict of interest form After being awarded the grant. The money for this grant did not come from Tourism dollars, and the grant committee was not made up of Tourism Board Members. I would have been happy to put it on the conflict of interest form We fill out every January if I had know that I needed to.

The money was used on landscaping, patio area, new bridge, and driveway. We spend over \$200,000 on the improvement project. The Schenck Mansion Is an historic Bed and Breakfast on the National Registry of Historic Places That we purchased in 1998 and opened as a B&B October of 2000.

Sincerely,



Lisa Fisher