

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

AUDIT REPORT
OF
COUNTY AUDITOR
BROWN COUNTY, INDIANA
January 1, 2011 to December 31, 2011



FILED
09/05/2012

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Glenda Stogsdill	01-01-11 to 12-31-14
President of the County Council	David Critser	01-01-11 to 12-31-12
President of the Board of County Commissioners	Mary Fouch John Kennard	01-01-11 to 12-31-11 01-01-12 to 12-31-12



STATE OF INDIANA
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TO: THE OFFICIALS OF BROWN COUNTY

We have audited the records of the County Auditor for the period from January 1, 2011 to December 31, 2011, 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 Brown County for the year 2011.

STATE BOARD OF ACCOUNTS

August 15, 2012

COUNTY AUDITOR
BROWN COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the County related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

The failure to establish and maintain internal controls could enable material misstatements or irregularities to be undetected.

A comparison report is being done monthly between the County Auditor and County Treasurer with differences noted. No effort has been made to identify and correct these differences.

The amount of the funds ledger balance on the Treasurer's cash book used for reconciliation does not agree to the funds ledger balance reported on the Auditor's ledger.

The completed Annual Financial Report contained many incorrect fund balances, lack of some funds and incorrect beginning balances. No review was made of the filed copy to the financial ledgers.

The County Auditor's staff also did not have sufficient controls over federal grants received by the County. Sufficient information was not readily available to determine what federal grants the County received. This information was necessary to complete the Schedule of Federal Financial Assistance. This schedule was not submitted as part of the County Annual Financial Report, but instead was compiled by the State Board of Accounts. Additional time was needed to obtain the information to compile and audit the schedule.

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 objections, 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 is 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 County Auditors of Indiana, Chapter 14)

INTERNAL CONTROLS PAYROLL

Controls over the payroll process were insufficient. Multiple timesheets were observed without supervisor signature. One payroll period in 2011 was not approved by the Board of County Commissioners. During the review of payroll, it was noted that overtime compensation was calculated on an employee's base rate plus their longevity (divided into an hourly amount). Overtime compensation should be calculated on an employee's base rate only.

Benefit time was not calculated correctly. On more than one timesheet, the lunch hours taken for the pay period were used in the calculation of flex time accrued. Employees were also getting paid for this time taken for lunch.

COUNTY AUDITOR
BROWN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

During the audit, we reviewed the payroll and withholding information for the former payroll clerk. We noted three consecutive pay periods early in 2011 where this employee's federal withholding amounts were different than what should have been withheld. The revised federal withholding amounts ranged from \$26.25 to \$34.75. A review of the employee's federal withholding amount for the remaining pay periods after those three payrolls showed \$76.86, with a similar gross pay. An amended W-4, Employee's Withholding Allowance Certificate, was not filed to support these changes in the employee's personal federal withholding amount. This is an issue addressed in the prior audit. The former payroll clerk was removed from the position in July 2011.

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, Chapter 14)

INTERNAL CONTROL APPROVAL OF CLAIMS

Controls over the claims process were insufficient. Not all disbursements were officially approved by the County Auditor or the Board of County Commissioners. Multiple claims submitted for review did not have the approval of the County Auditor. The claims dockets for 2011 showing approval by the Board of County Commissioners were not provided for review. Upon further inquiry, the 2012 claims dockets were presented showing proper approval of disbursements in the regular claims cycle. Approval is required for all claims; however, no approval was presented for emergency claims paid. Per County ordinance 05-05-08-03, these claims can be paid before approval; however, they should still be submitted for approval to the Board of County Commissioners at the next regularly scheduled meeting.

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, Chapter 14)

Indiana Code 5-11-10-2(a) states in part:

"Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

COUNTY AUDITOR
BROWN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS

The following deficiencies were noted relating to the recordkeeping:

1. Excise tax to be distributed by the County Auditor was not reconciled to excise tax to be distributed on the County Treasurer's cash book. This has not been reconciled for several years.
2. No contract was presented for audit for the monthly software agreement payment to GUTS (Government Utilities Technology Service).
3. The annual financial report filed was materially misstated due to many funds not being included on the annual financial report. Many beginning balances did not agree to prior year ending balances. The County corrected the annual report for audit.

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 Auditors, Chapter 14)

SURPLUS TAX FUND NOT RECONCILED

At December 31, 2011, the Surplus Tax Fund balance was not reconciled. The detail provided at audit was \$8,178.35 over the fund balance reported in the annual financial report. The detail is dated for the taxing period 2007/2006.

Excess (surplus) tax shall be reported by the treasurer on the County Treasurer's Certificate of Tax Collections, County Form No. 49TC. The County Treasurer is also required to file Ledger Form 65-STF, Surplus Tax Fund Ledger, listing in detail by taxing district each item of surplus tax collected, the total of which shall be receipted into the "Surplus Tax Fund." The detail ledger sheets shall be placed in the County Auditor's ledger and be disbursed in the manner discussed on page 7-9.

If an excess payment is not claimed within the three (3) year period after November 10 of the year in which the payment was made and the county treasurer has given the written notice, the county auditor shall transfer the excess from the surplus tax fund to the general fund of the county. If the county treasurer has given written notice concerning the excess, the excess may not be refunded after the expiration of that three (3) year time period. [IC 6-1.1-26-6(c)] (Accounting and Uniform Compliance Guidelines Manual for County Auditor's, Chapter 9)

COUNTY AUDITOR
BROWN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 15, 2012, with Glenda Stogsdill, Auditor; David Critser, President of the County Council; and John Kennard, President of the Board of County Commissioners.