

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

AUDIT REPORT

OF

COUNTY AUDITOR

SCOTT COUNTY, INDIANA

January 1, 2011 to December 31, 2011



FILED
09/06/2012

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Teresa Vannarsdall	01-01-11 to 12-31-14
President of the County Council	Mike Zollman Kelley Robbins	01-01-11 to 12-31-11 01-01-12 to 12-31-12
President of the Board of County Commissioners	Larry Blevins Mark Hays	01-01-11 to 12-31-11 01-01-12 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF SCOTT 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 Scott County for the year 2011.

STATE BOARD OF ACCOUNTS

August 7, 2012

COUNTY AUDITOR
SCOTT COUNTY
AUDIT RESULTS AND COMMENTS

BOARD MINUTES

Minutes of meetings held by the Board of County Commissioners and County Council were not properly maintained. The following deficiencies were noted:

1. Minutes of the meetings held by the Board of County Commissioners as required by Indiana Code 5-14-1.5-4(b) for the year 2011 through May 2012 were not presented for audit.
2. Minutes of the meetings conducted by the County Council for the year 2011 through May 2012 were not signed by any of the Board members attesting to accuracy and completeness.
3. Minutes of the County Council meetings were not completed in a timely manner. A review of all available minutes on the date of April 23, 2012, showed the last minutes available were dated January 17, 2012.
4. Notations in the County Council minutes indicated approval of the minutes by the Council members; however, the approval was typically several months after the meeting was held. For example, minutes of the meetings held on March 15, 2011, May 17, 2011, June 21, 2011, and July 19, 2011, were not identified as being approved until the minutes of August 19, 2011. A review of the Council minutes as of April 23, 2012, showed the last approval of minutes was the minutes of August 19, 2011, per notations in the October 19, 2011 board minutes.

Indiana Code 5-14-1.5-4(b) states:

"As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5."

Indiana Code 5-14-1.5-4(c) states: "The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

All official action taken by the board at regular or special meetings together with ordinances passed should be entered in the Minute Record. This record should be kept current and all minutes signed by the proper official and attested to by the county auditor. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 4)

COUNTY AUDITOR
SCOTT COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

FINANCIAL REPORT OPINION MODIFICATIONS

As a result of problems with the records maintained by the County Auditor, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Auditor's Report for the financial statements. The following problems were identified with the records maintained by the County which led to the opinion modification:

Minutes of actions taken by the Board of County Commissioners were not available for audit. As a result of not having minutes, information was not available to identify actions taken by the Board that may have financial implications to the County thus preventing the ability to properly plan and audit the financial activity of the County. In addition, it could not be determined if financial statement disclosure of any activity affecting the financial activity subsequent to the date of the financial statement was required.

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 County Auditors of Indiana, Chapter 14)

APPROPRIATIONS

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

<u>Fund</u>	<u>Excess Amount Expended</u>
Courthouse Debt Service	\$ 2,545
Health	6,045
Rainy Day	20,752

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."

CAPITAL ASSETS

Information presented for audit did not indicate an inventory for capital assets using the Capital Asset Ledger, County Form 146.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the Capital Assets Ledger Form. 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 Auditor's, Chapter 14)

COUNTY AUDITOR
SCOTT COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

A similar comment was included in prior Reports B33843, B35838, B38449, and B39231.

OVERDRAWN FUND BALANCES

The following funds had overdrawn fund balances at December 31, 2011:

Fund	Amount
Health Fund	\$ 29,213
Jury Pay	784
DOC Reimbursement	8,435
Children Health Clinic	3,629
Probation User Fees	1,454
Drug Interdiction Officer	11,536
Co Corrections Grant	22,441
Prosecutor SANE Project	2,749
Prosecutor JABIG	1,124
Bioterrorism	2,409
Courthouse Debt Service	13,710
Payroll Cancer Ins	882
Payroll Life Ins	769
Payroll E Loan Pmt	446
Payroll Flex One	3,577

These funds were not supported by State and Federal grants for which reimbursements of expenditures from the grantor agency were expected to offset the negative fund balance.

The balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 14)

A similar comment was reported in prior Reports B33843, B35838, B38449, and B39231.

RECONCILIATION OF PAYROLL SUBSIDIARY RECORDS

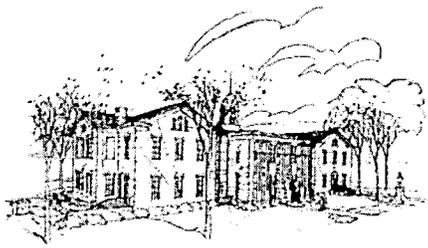
Payroll withholding accounts are used to account for the employers' federal share of taxes and the employees' tax withholdings along with any other deductions designated by the employee. These amounts are subsequently disbursed to the proper government agency or designee of the employee. Posting errors to the payroll withholding accounts were not discovered in a timely manner because reconciliations were not made between the payroll withholding accounts and the subsidiary records. At December 31, 2011, the Payroll Cancer Ins Fund, Payroll Life Ins Fund, Payroll E Loan Pmt Fund, and Payroll Flex One Fund had deficit fund balances of \$882, \$769, \$446, and \$3,577, respectively. In addition there were some payroll withholding accounts, such as, the Payroll Federal Fund and Payroll Social Security Fund that had balances at year end that did not agree with supporting payroll records. The Payroll Federal Fund had a balance of \$14,703 at December 31, 2011; however, the subsequent tax payment remitted totaled \$17,642, for a difference of \$2,939.

COUNTY AUDITOR
SCOTT COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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 County Auditors, Chapter 14)

COUNTY AUDITOR
SCOTT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 7, 2012, with Teresa Vannarsdall, Auditor; Kelley Robbins, President of the County Council; and Mark Hays, President of the Board of County Commissioners. The Official Response has been made a part of this report and may be found on pages 9 and 10.



Teresa Vannarsdall

Auditor Scott County

Scott County Courthouse
1 East McClain Avenue, Suite 130
Scottsburg, Indiana 47170
Phone 812-752-8408
Fax 812-752-7914

Audit Response/Corrective Action Plan

Audit Results and Comments

Contact Person: Teresa Vannarsdall
Title Scott County Auditor
Phone Number 812-752-8408

Appropriations:

In past years the county has added another claim disbursement date approved by Commissioners at the end of December that totaled to two claim disbursements at the end of the year. For 2012 there will be only one claim disbursement in December. That along with more stringent audit controls will alleviate this problem.

Capital Assets:

The county's financial software has a feature that hasn't been utilized since the purchase and I have requested that the vendor come onsite for training for the capital asset portion of the software. I will enter the data and keep the information updated for future use. I have requested asset information from departments each year and have the reports on file but not in the financial software as one report.

Overdrawn Fund Balances:

I would like to address these individually.

Children's Health Clinic is a dormant fund and wasn't used in 2011. This fund will be adjusted and cleared.

Co Corrections Grant: This fund had erroneous postings that should have been posted to the General fund payroll appropriations and will be corrected in 2012.

Bioterrorism: Claims for this fund has been submitted to the state for payment.

Payroll Flex One: This fund was dormant in 2011 and the outages go back to 2005 when the financial software was installed. The fund will be adjusted and cleared.

Payroll Cancer Insurance, Payroll Life Insurance: These funds will be adjusted and cleared. The Cancer Insurance and Life Insurance is employee elected insurance that are offered through payroll deduction. The insurance companies that offered the coverage to employees sometimes changed the rates without properly notifying my office or the employee leaving reconciliation and billing with these companies very difficult.

Payroll E Loan Pmt- this fund had a double posting error in 2010 in the amount of \$447.94 that should have been posted to Fund 817.

The remaining funds will be included in more stringent controls by my office.

Reconciliation of Payroll Subsidiary Records:

Payroll Flex One: This fund was dormant in 2011 and the outages go back to 2005 when the financial software was installed. The fund will be adjusted and cleared.

Payroll Cancer Insurance, Payroll Life Insurance: These funds will be adjusted and cleared. The Cancer Insurance and Life Insurance is employee elected insurance that are offered through payroll deduction. The insurance companies that offered the coverage to employees sometimes changed the rates without properly notifying my office or the employee leaving reconciliation and billing with these companies very difficult.

Payroll E Loan Pmt- this fund had a double posting error in 2010 in the amount of \$447.94 that should have been posted to Fund 817.

Payroll Federal Fund: The fund has balanced for 2011 back to 2008 when there were posting errors. These will be adjusted in 2012.

Payroll Social Security Fund: The fund has balanced for 2011 back to 2008 when there were posting errors. These will be adjusted in 2012.

Board Minutes:

Minutes of the meetings of the Board of Scott County Commissioners will be prepared in writing and will be available at the next board meeting for approval by the County Commissioners. The minutes will be signed by the Commissioners and attested to by the County Auditor to ensure the accuracy and authentication of the items discussed and action taken at the meeting.

Sincerely,



Teresa Vannarsdall
Scott County Auditor