

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

AUDIT REPORT

OF

COUNTY SHERIFF

CLARK COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED

10/09/2012

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Sheriff	Daniel Rodden	01-01-07 to 12-31-14
President of the County Council	Jack Coffman	01-01-10 to 12-31-10
	Kevin Vissing	01-01-11 to 12-31-11
	Barbara Hollis	01-01-12 to 12-31-12
President of the Board of County Commissioners	M. Edward Meyer	01-01-10 to 12-31-11
	Les Young	01-01-12 to 12-31-12



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, 2010 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 Reports of Clark County for the years 2010 and 2011.

STATE BOARD OF ACCOUNTS

August 13, 2012

COUNTY SHERIFF
CLARK COUNTY
AUDIT RESULTS AND COMMENTS

INMATE TRUST RECORDS

Individual inmate records are kept as a subsidiary record to the Inmate Trust Ledger (Ledger). At December 31, 2010, the subsidiary records of the individual inmate's balances did not agree with the Ledger. A variance of \$44,961 existed at December 31, 2010, with the subsidiary record being less than the Ledger balance.

During November 2011, the Sheriff's Department established a "new" Inmate Trust Fund to include all identified individual accounts, leaving unidentified cash balance in the "old" fund. New software was obtained which reconciles the subsidiary with the Ledger for the new fund. However, at December 31, 2011, the "old" fund contained an unidentified cash balance of \$38,595.41.

We recommended that an attempt be made to identify the source of the unidentified cash balance.

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)

INMATE TRUST AUDIT TRAILS

The computerized system utilized by the Sheriff's Department for the year 2010 and up through October 2011 to record financial activity related to the Inmate Trust accounts did 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 as the reason for the change.

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 posted 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 recording of the receipt transaction with a 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 recording and from the ledger recording to the original receipt is needed to provide accountability over monies received.

COUNTY SHERIFF
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

3. Disbursement transactions recorded to the inmate's account for the return of funds did 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 were sequentially generated on the report, in order, to verify the reports presented for examination contained 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.

In November 2011, the Sheriff's Department obtained a new computerized accounting application system to record activity related to the inmate trust.

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)

COLLECTIONS NOT DEPOSITED DAILY

Monies collected for inmate trust were not deposited daily during the year 2010. Monies were deposited from four to six days after being received.

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . . ."

COUNTY SHERIFF
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Monies collected for inmate trust were also not deposited daily after June 30, 2011. We noted the following instances of untimely deposits occurring in December of the year 2011:

Date Monies Collected	Amount	Date of Deposit	Business Days Held
11-29-11	\$ 2,637	12-02-12	3
11-30-11	2,370	12-02-12	2
12-02-11	6,877	12-08-11	4
12-03-11	2,879	12-08-11	3
12-07-11	3,357	12-09-11	2
12-09-11	1,804	12-14-11	3
12-10-11	840	12-14-11	2

Indiana Code 5-13-14-3 states:

"A public servant who violates the depository duties in this article is subject to criminal prosecution under IC 35-44.2-2-1. The public servant also is liable upon the public servant's official bond for any loss or damage that accrues."

UNIDENTIFIED RECEIPT TRANSACTION – INMATE TRUST FUND

The financial ledger for the Sheriff's Inmate Trust Fund showed the recording of a receipt entry in the amount of \$3,596 on August 11, 2010. No documentation, such as a receipt or other source documentation was presented for audit to support the receipt entry in the financial ledger. The amount was also reported as a reconciling item on the month end bank reconciliation. However, no explanation or description as to the reason for the reconciling item was presented for audit.

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)

SHERIFF'S FUNDS LEDGER AUDIT TRAILS

The computerized accounting system utilized by the Sheriff's Department to record financial activity related to the Sheriff Cash Account, Sheriff DOC/Property, Jail Commissary Fund, and Sheriff's Court Cash Bonds funds ledgers 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:

The accounting application system inappropriately permits recorded transactions to be deleted or modified. Modification can be made to information, such as, the date, dollar amount, payee, and check number. There are no reports provided by the system to record these deletions and changes.

COUNTY SHERIFF
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

If corrections are needed to a transaction once it has been recorded, a new separate transaction should be recorded for the correction. 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

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 POLICE RETIREMENT PLAN TRUST ASSET BALANCES

The County contributes to the County Police Retirement Plan which provides retirement, death, and disability benefits to plan members and beneficiaries. The County also contributes to the County Police Benefit Plan which provides dependent pensions, life insurance, and disability benefits to plan members and beneficiaries. The plans are administered by the Sheriff's Department and an appointed trustee as authorized by state statute (IC 36-8-10-12) for full-time police officers.

In the middle of the year 2009, the plan switched trust administrators. The new trust administrator combined the assets of both plans instead of providing separate accountability for both plans and investing the funds in different investments types according to the guidelines of each plan. In February 2010, the trustee became aware of the error and restated the financial activity to provide separate accountability for each plan. During our review of the restated trust financial activity, it was determined that the trust asset balances did not agree with the trust balances prior to the restatement. The combined trust assets at January 1, 2010, prior to the restatement were \$8,809,946 and after the restatement the balance was \$8,744,390 for a difference of \$65,555. The plan administrator stated the difference in the balances was a result of different investment strategies and the related investment earnings that should have occurred if the funds had been originally separated into separate trust accounts and invested differently instead of being combined and invested in the same type of investments. If the funds had been separated and invested in the different types of investments as indicated per each plan, the funds would have earned \$65,555 less in investment interest.

We advised the Sheriff's Department of the discrepancies between the trusts statements. The County Sheriff contacted the trust administrator requesting the additional funds be paid into the trust account based upon the pension monies had actually been invested and earned the money. On August 4, 2011, \$65,555 was deposited into the pension trust account by the plan administrator.

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 Counties of Indiana, Chapter 1)

COUNTY SHERIFF
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

DEPARTMENT ANNUAL FINANCIAL REPORT – COUNTY POLICE RETIREMENT PLAN

Financial activity for the County Sheriff Department related to the County Police Retirement Plan (Plan) was not properly reported for the years 2010 and 2011. The financial activity for the year 2010, as shown on the Supplemental CAR-1 report, was incomplete. Financial activity for the Plan's beginning balance did not agree with the ending balance as reported in the previous year. The financial activity as shown on the report did not total the ending balance as shown on the report. The financial activity for the year 2011, as shown on the Supplemental CAR-1 report, was incomplete and did not total to the ending investment balance as shown on the report. Realized gain or loss on investments and investment manager fees for the year 2011 were not shown.

The Supplemental CAR-1 has been prescribed to summarize yearly financial activity associated with the County departments 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 County's financial statement.

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)

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 Counties of Indiana, Chapter 1)

A similar comment was reported in prior the report number B38293.

DEPARTMENT ANNUAL FINANCIAL REPORT

The Supplemental CAR-1 has been prescribed to summarize yearly financial activity associated with the funds handled directly by County departments for inclusion in the County's Annual Financial Report (CAR).

The County Sheriff's Department did not accurately report the Department's financial activity on the Supplemental CAR-1. The financial activity reported on the Supplemental CAR-1 for the year 2010 understated the beginning cash balance and ending cash balance by \$300. The receipt and disbursement activity were both understated in the amount of \$68,947. During the course of the audit, errors were identified adjustments were recommended and were made to the County's Annual Financial report to correctly report the Departments' financial activity.

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)

COUNTY SHERIFF
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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 Counties of Indiana, Chapter 1)

COUNTY SHERIFF
CLARK COUNTY
EXIT CONFERENCE

The contents of this report related to the year 2010 were discussed on July 21, 2011, with Daniel Rodden, Sheriff, and Diane Shahroudi, Sheriff's Secretary/Bookkeeper. The contents of this report related to the year 2010 were also discussed on December 13, 2011, with Barbara Hollis, Vice President of the County Council for the year 2011, and on December 19, 2011, with M. Edward Meyer, President of the Board of County Commissioners for the year 2011.

The contents of this report related to the year 2011 were discussed on August 13, 2012, with Daniel Rodden, Sheriff. The contents of this report related to the year 2011 were also discussed on August 14, 2012, with M. Edward Meyer, Vice President of the Board of County Commissioners for the year 2012, and Brian Lenfert, Vice President of the County Council for the year 2012.