

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

AUDIT REPORT

OF

COUNTY AUDITOR

PARKE COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED

06/25/2013

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Pam Adams	01-01-11 to 12-31-14
President of the County Council	James A. Rahn	01-01-12 to 12-31-13
President of the Board of County Commissioners	George Nicholas Jim Meece	01-01-12 to 12-31-12 01-01-13 to 12-31-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF PARKE COUNTY

We have audited the records of the County Auditor for the period from January 1, 2012 to December 31, 2012, 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 Parke County for the year 2012.

STATE BOARD OF ACCOUNTS

April 23, 2013

COUNTY AUDITOR
PARKE 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:

1. **Lack of Segregation of Duties:** Control activities should be selected and developed at various levels of the County to reduce risks to the achievement of financial reporting objectives. The County has not separated incompatible activities related to receipts in the Treasurer's office or cash and investment balances of the Redevelopment Commission. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.
2. **Monitoring of Controls:** Effective internal control over financial reporting requires the County Commissioners to monitor and assess the quality of the County's system of internal control. The County Commissioners have not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the County at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the County has no process to identify or communicate corrective actions to improve controls.
3. **Treasurer's Monthly Reconciliation:** The County has not implemented adequate controls over the Treasurer's monthly reconciliation to detect material misstatements. The monthly comparison report which compares the Treasurer's fund balances to the Auditor's fund balances is not compared to the monthly bank reconciliation.
4. **Disbursement Controls:** The County has not implemented adequate controls over the payroll withholding disbursements to detect material misstatements. Payroll withholdings were not presented to the governing body for approval.
5. **Schedule of Expenditures of Federal Awards:** The County has not implemented adequate controls over the Schedule of Federal Awards to detect material misstatements.

COUNTY AUDITOR
PARKE 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.

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)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The County did not comply with directives of the Indiana Office of Community and Rural Affairs by failing to file accurate semiannual reports. The reports filed were prepared on the accrual basis of accounting, were not supported by the expenditures shown in unit records and understated the local match.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR
PARKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 23, 2013, with John K. Pratt, Vice President of the County Council; Jim Meece, President of the Board of County Commissioners; James A. Rahn, President of the County Council; and Pam Adams, Auditor. The officials concurred with our audit findings.