

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

AUDIT REPORT

OF

COUNTY TREASURER

BROWN COUNTY, INDIANA

January 1, 2012 to December 31, 2012



**FILED**  
06/26/2013



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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Treasurer	Joe Wray Mary Smith	01-01-09 to 12-31-12 01-01-13 to 12-31-16
President of the County Council	David Critser	01-01-12 to 12-31-13
President of the Board of County Commissioners	John Kennard	01-01-12 to 12-31-13



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF BROWN COUNTY

We have audited the records of the County Treasurer 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 Result and Comment. The financial transactions of this office are reflected in the Financial Statement and Federal Single Audit Report of Brown County for the year 2012.

STATE BOARD OF ACCOUNTS

June 5, 2013

COUNTY TREASURER  
BROWN COUNTY  
AUDIT RESULT AND COMMENT

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted deficiencies in the internal control systems of the County Treasurer's office related to financial transactions and reporting.

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

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

Controls were not in place to ensure the balance per the bank accounts reconciled with the County Treasurer's cash book. We noted posting errors in the cash book of \$1,378,004 that had not been identified by the Treasurer. Upon review by the Treasurer \$661,911 were wire transfers and \$703,524 was Homestead LOIT that had not been posted. After posting adjustments were made, the Treasurer's cash book showed \$8,609.74 as the amount needed to reconcile.

No combined bank reconciliation worksheet was completed, which would have enabled the Treasurer's staff to more readily determine whether the bank reconciliations and the Treasurer's cash book actually balanced. The County Treasurer does not review or approve the bank reconciliation.

A reconciliation of the monthly comparison report of ledger fund balances is not being done between the County Treasurer and County Auditor. As of December 31, 2012 the amount the Treasurer showed on the Treasurer's cash book for the fund ledger balance was \$12,569 more than the Auditor's fund ledger balance. No effort has been made to identify and correct these differences.

Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the County's audited financial statements and then determining how those identified risks should be managed. The County has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.

Effective internal control over financial reporting to prevent material misstatements in a timely manner requires the Auditor and Treasurer to monitor and assess the quality of the system.

COUNTY TREASURER  
BROWN COUNTY  
AUDIT RESULT AND COMMENT  
(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 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 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)

Indiana Code 5-13-6-1(e) states:

"(e) 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."

At all times, the manual and/or 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 Treasurers of Indiana, Chapter 10)

COUNTY TREASURER  
BROWN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on June 10, 2013, with Joe Wray, former County Treasurer and currently County Commissioner; Mary Smith, County Treasurer; David Crister, President of the County Council; John Kennard, President of the Board of County Commissioners; and Michael Thompson, County Administrator.