

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

AUDIT REPORT
OF
COUNTY AUDITOR
CASS COUNTY, INDIANA
January 1, 2012 to December 31, 2012



FILED
07/25/2013

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Vaneen Ide	01-01-09 to 12-31-16
President of the County Council	George Stebbins	01-01-12 to 12-31-13
President of the Board of County Commissioners	David Arnold	01-01-12 to 12-31-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF CASS 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 Cass County for the year 2012.

STATE BOARD OF ACCOUNTS

July 11, 2013

COUNTY AUDITOR
CASS COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the Cass 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, (including tax collections), disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.
2. Preparing Financial Statements: 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.
3. 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 Commissioners has 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.

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)

INTERNAL CONTROLS OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The County did not have controls in place to account for or track all federal grants for reporting on the schedule of expenditures of federal awards

Federal Circular A-133, Subpart C, section 300 outlines the responsibilities placed on the recipient of federal awards. The unit is required to do the following:

- a. Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the federal agency, and name of the pass-through entity.

COUNTY AUDITOR
CASS COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- b. Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- c. Comply with laws, regulations and the provisions of contracts or grant agreements related to each of its Federal programs.
- d. Prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with section .310.
- e. Ensure that the audits required by this part are properly performed and submitted when due.
- f. Follow up and take corrective action on audit findings, including preparation of a summary schedule of prior audit findings and a corrective action plan in accordance with section .315(b) and .315(c), respectively.

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INTERNAL CONTROLS

Internal controls over the receipting, disbursing, recording and accounting for the financial activities were insufficient as the County Auditor did not balance with the County Treasurer. Additionally, financial records presented for audit included posting errors that were not reflective of the activity of several funds including the General Fund, County Economic Development Income Tax Fund, the Local Option Income Tax and Public Safety Fund.

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COUNTY AUDITOR
CASS COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

PUBLIC WORKS CONTRACT OVERPAYMENT

On February 21, 2012, the County made final payment to Jack Isom Construction by releasing retainage totaling \$53,219.03. With this final payment, the original contract of \$346,637 was overpaid by \$8,156.54. No change orders were provided to document or support the increase in payments on the contract.

Upon closer review of the Applications for Payment from the contractor, it was determined that six separate items detailed on the contract exceeded the contract amount and two items were less than the original contract. These differences totaled \$8,639.64 in additional expenses and (\$483.10) in charges less than the original contract. County officials were instructed to seek reimbursement from Jack Isom Construction for \$8,156.54, the net difference between the original contract and actual payments made by the County. This comment was issued in prior Supplemental Audit Report B40438.

If, in the course of construction, reconstruction or repair of a public work project, it becomes necessary to change or alter the original specifications, a change order may be issued to add, delete, or change an item or items in the original contract. All change orders must be directly related to the original public work project. The change order becomes an addendum to the contract and must be approved and signed by the board and the contractor. (Accounting and Uniform Compliance Manual for County Auditors of Indiana, Chapter 21)

Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR
CASS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 11, 2013, with Vaneen Ide, Auditor; David Arnold, President of the Board of County Commissioners; and George Stebbins, President of the County Council. The officials concurred with our audit findings.