

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

AUDIT REPORT

OF

COUNTY AUDITOR

HANCOCK COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED
08/23/2013

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Robin Lowder	01-01-11 to 12-31-14
President of the County Council	William Bolander	01-01-12 to 12-31-13
President of the Board of County Commissioners	Tom Stevens Derek Towle	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 HANCOCK 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 Hancock County for the year 2012.

STATE BOARD OF ACCOUNTS

July 16, 2013

COUNTY AUDITOR
HANCOCK COUNTY
AUDIT RESULTS AND COMMENTS

ANNUAL REPORT

The Annual Report for 2012 contained a number of errors and did not properly reflect the financial activity of the County. The following errors were identified:

- The receipts and ending balance for the After Settlement Collections were understated. The Treasurer's office collections between the settlement cut-off date of December 3, 2012, and year end were not included in the Gateway Annual Report. These monies totaled \$760,684.
- The Redevelopment Commission Financial Activity was not included in the Gateway Annual Report. The financial records of the Redevelopment Commission are maintained by the Redevelopment Commission. The Redevelopment Commission is considered a department of the County and as such the financial activity should be included in the Gateway Annual Report. The prescribed form CAR-1 Supplemental report is used to assist the County Auditor in reporting the financial activity for the departments that are not included on the County Auditor's ledger. (Such as the Redevelopment Commission.) The CAR-1 Supplemental Report for the Redevelopment Commission was not submitted to the County Auditor and the financial activity for the Redevelopment Commission was not reported. There were four separate Redevelopment Commission Funds. There were four separate Redevelopment Commission Funds with total activity as follows:

Fund	Beginning Balance	Receipts	Disbursements	Ending Balance
Redevelopment Capital	\$ 5,965,346	\$ 7,223	\$ 580,709	\$ 5,391,860
Redevelopment Debt				
Service Reserve	1,064,800	8,000	-	1,072,800
Redevelopment Bond				
Principal & Interest	395,896	144,593	443,688	96,801
Allocation Fund -				
Redevelopment Bond	230,330	612,636	136,844	706,122

- The Sheriff Department's Operating Fund was originally included in the Gateway Annual Report. This activity is no longer being reported separately in the Gateway Annual Report because these monies are remitted monthly to the County Auditor and recorded on the County Auditor's Ledger. The Gateway Annual Report included, in error, the Sheriff Department's Operating Funds consisting of \$7,675 beginning balance, \$5,421,610 in receipts, \$5,394,198 in disbursements and a \$35,087 ending balance.
- The Redevelopment District Bonds of 2009 were not included in the Schedule of Leases and Debt in the Gateway Annual Report. The December 31, 2012 Principal Balance was \$10,720,000 and the Principal and Interest due the following year was \$443,688, were omitted from the Schedule.
- The Schedule of Accounts Payable and Accounts Receivable in the Gateway Annual Report was not completed.

COUNTY AUDITOR
HANCOCK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

With the exceptions of the Schedule of Accounts Payable and Accounts Receivable, the omissions occurred within funds and records maintained and managed at the departmental level and not included as part of the County Auditor's records.

Audit adjustments were recommended and accepted by the Officials. The Financial Statement presented in this report reflects these adjustments and resulted in a presentation of the Financial Statement that is materially correct.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The County did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The County should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected. During the audit of the SEFA, we noted the following errors:

- Three grants were omitted from the SEFA.
- Two grants were incorrectly combined with the preceding or succeeding grant and not shown individually as separate grants on the SEFA.
- Twenty grants were listed with either incorrect program names or incorrect Catalog of Federal Domestic Assistance (CFDA) numbers.
- Seven grants included the Beginning fund balance as part of the receipt amount.
- Four reimbursement grants were incorrectly listed on the SEFA as advance grants.
- Three advance grants were incorrectly listed on the SEFA as reimbursement grants.
- Adjustments were made to the amounts reported on the SEFA for seven other grants. The adjustments to the amounts reported were made for various reasons such as errors or omission.
- Eleven grants were reported on the SEFA either without identifying numbers or with incorrect identifying numbers.

Audit adjustments were recommended and accepted by the County Officials, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statements.

COUNTY AUDITOR
HANCOCK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

The SEFA is prepared by a specific county employee whose direct involvement with the grants is limited to recording the financial activity for the grants. The employee who prepares the SEFA is not assigned to administer any of the grants. The nonfinancial elements included within the SEFA are primarily prepared from information forwarded by the employees responsible for administering their respective grants. Review of the records indicated the information provided by these employees was not always accurate and complete.

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)

CONDITION OF RECORDS

There were excise distributions made on December 20, 2011 and June 12, 2012. These original excise distributions were not correct, so the County made corrected distributions on November 6, 2012. These corrections were not recorded properly, as the entire difference between the original distribution and the corrected distribution was posted to the General Fund instead of being posted to the correct five funds. The following table lists the funds involved, as well as, the overstatement or understatement of the particular fund.

Fund	Amount Over(Under) Stated
County General	\$ 6,805.46
County Health	(284.09)
Cumulative Bridge	(1,527.21)
2015 Reassessment	(358.61)
County Cum Capital Dev	(1,017.97)
All Debt Service	(3,617.58)

Additionally, Claim number 92120 was written to the Indiana County Treasurers Association on June 30, 2012 for \$300. The claim paid the registration fee for a conference. The claim was originally entered on the records of the County Commissioners Department. The claim should have been entered on the records of the County Treasurers Department. An error was made in correcting the original entry. The entry on the records of the County Commissioners Department was never reversed. The reversing entry was incorrectly entered on the records of the Elected Officials Training Fund.

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)

COUNTY AUDITOR
HANCOCK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 16, 2013, with Robin Lowder, Auditor.