

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

AUDIT REPORT

OF

COUNTY AUDITOR

PUTNAM 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	Stephanie Campbell Lorie Hallett	01-01-09 to 12-31-12 01-01-13 to 12-31-16
President of the County Council	Darrel L. Thomas	01-01-12 to 12-31-13
President of the Board of County Commissioners	Kristina (Warren) Alexander Nancy Fogle Donald K. Walton	01-01-12 to 12-31-12 01-01-13 to 06-17-13 06-18-13 to 12-31-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF PUTNAM 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 Putnam County for the year 2012.

STATE BOARD OF ACCOUNTS

August 6, 2013

COUNTY AUDITOR
PUTNAM COUNTY
AUDIT RESULTS AND COMMENTS

CONDITION OF RECORDS

The Auditor's ledger of receipts, disbursements, and balances presented for audit was not in compliance with the State Board of Accounts accounting and uniform compliance guidelines.

Some of the deficiencies include:

1. There were numerous posting errors.
2. For the last three years, the ledger has contained at least 12 dormant funds with small balances and no transactions.
3. Some funds were set up without line items and receipts, payroll disbursements, and vendor disbursements were commingled in a single generic line item. This resulted in inaccurate classification in the Annual Report.

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 auditors should examine any dormant funds carried on their ledgers with the view toward closing out such funds before December 31. (The County Bulletin and Uniform Compliance Guidelines, Vol. No. 353, October 2005)

Disbursements should be paid from properly authorized line items. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 14)

COMPENSATION AND BENEFITS

The County Attorney/Deputy Prosecutor was compensated in part by salary ordinance and in part by contract. The salary fixed in the salary ordinance for county employees should be in full for the services provided to the County. If an employee is compensated for more than one position, the employee must maintain records detailing the time spent on each position and such records were not presented for audit. All payments made to a County employee (except reimbursement for travel and other expenses) should be issued through the payroll system, with taxes withheld accordingly.

Indiana Code 5-11-9-4, Sec. 4.(b), states in part:

"The state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees:

- (1) covered by section 1 or 2 of this chapter; and
- (2) employed by more than one (1) public agency or in more than one (1) position by the same public agency described in section 1 or 2 of this chapter."

COUNTY AUDITOR
PUTNAM COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 36-2-7-2, Sec. 2, states:

"Except as otherwise provided by sections 6, 9, and 13 of this chapter, the compensation fixed for county officers and employees under this title is in full for all governmental services and in lieu of all:

- (1) fees;
- (2) per diems;
- (3) penalties;
- (4) costs;
- (5) interest;
- (6) forfeitures;
- (7) percentages;
- (8) commissions;
- (9) allowances;
- (10) mileage; and
- (11) other remuneration;

which shall be paid into the county general fund."

OVERDRAWN CASH BALANCES

The financial statement presented in this report included the following non-reimbursement grant funds with overdrawn cash balances at December 31, 2012:

Fund	Amount
County Share EDIT	\$ 47,929
Local Health Maintenance	6,240
Tax Sale Redemption	5,990
Aflac	1,509
Wage Garnishment	823

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR
PUTNAM COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

HAZARDOUS WASTE FUND SOURCES AND USES

As reported in the prior four audit reports, funds were disbursed from the Hazardous Waste Fund to Putnam County Operation Life in the amount of \$80,000 to pay the 2012 annual contract for County Ambulance services.

Indiana Code 6-6-6.6-3(b) identifies the following purposes of hazardous waste revenue which states:

"Except as provided in subsection (e), and subject to subsections (f) and (g), the revenue paid over to the county under subsection (a) shall be deposited in a separate fund established by the county for the purposes of the following:

- (1) Establishing monitoring wells on land near the site of the disposal facility.
- (2) Analyzing samples from the monitoring wells established under subdivision (1).
- (3) Conducting other types of testing and surveillance for hazardous waste contamination of land near the disposal facility.
- (4) Providing training for county and local public health and public safety officers in the proper procedures for dealing with emergencies involving hazardous substances or hazardous waste.
- (5) Providing special clothing and equipment needed by county and local public health and public safety officers for dealing with emergencies involving hazardous substances or hazardous waste.
- (6) Funding research on alternatives to land disposal as a means of eliminating hazardous waste.
- (7) Paying the cost of hazardous waste, hazardous substance, or solid waste removal and remedial action at a site located within the county.
- (8) Meeting the county's requirements under IC 13-21 for the planning and implementation of a solid waste management district plan.
- (9) Paying the costs associated with the construction or rehabilitation of a facility used for training described in subdivision (4).
- (10) Paying the costs associated with any other project that has identifiable environmental benefits.
- (11) Paying the costs associated with the construction, structural rehabilitation, and equipment of a facility used for either of the following purposes:
 - (A) A county public safety central dispatch.
 - (B) A county emergency operations center.
- (12) Paying costs associated with the maintenance or repair of county roads."

COUNTY AUDITOR
PUTNAM COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

ANNUAL REPORT AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

As stated in the prior two audits, the Auditor has not established proper procedures for a separate review of the financial information reported in the Gateway Annual Financial Report prior to its submission.

The Auditor did not have a proper system of internal control in place to prevent or detect errors on the Schedule of Expenditures of Federal Awards (SEFA). The Auditor should retain grant agreements and award letters, identify the Catalog of Domestic Assistance program number and title for each award, identify the federal agency and pass-through agency for each award, and maintain a record of receipts and disbursements for each grant. Once the SEFA is prepared, the Auditor should establish procedures for a separate review of the SEFA prior to its submission.

The failure to establish these controls and perform the control activities has resulted in the Annual Report and Schedule of Expenditures of Federal Awards being submitted with material errors and omissions.

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."

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)

INCOMPLETE ACCOUNTS PAYABLE VOUCHER REGISTERS

A test (sample) of claims identified the following internal control deficiencies with an error rate greater than 10 percent:

Of the claims tested, 35 percent were not shown on the Accounts Payable Voucher Register or the Accounts Payable Voucher Register was not properly tallied and signed. This internal control deficiency resulted in \$6,790 of expenditures which were possibly made without the knowledge and approval of the Board of County Commissioners.

COUNTY AUDITOR
PUTNAM COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

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)

RECONCILEMENT OF AUDITOR'S LEDGER AND TREASURER'S LEDGER

The County has implemented a control procedure in which the Treasurer prints the fund balances in her ledger after balancing with the bank each month and gives the printout to the Auditor. The Auditor compares the balances of the funds in the Treasurer's ledger with the balances of the funds in the Auditor's ledger and investigates any differences. This control ensures that the Auditor's ledger continues to agree with the reconciled bank balance. During 2012, the Treasurer submitted her balances to the Auditor's office, but the Auditor's office staff did not perform the comparisons or investigate the differences monthly. The failure to perform this control activity resulted in the total cash balance in the Auditor's ledger differing from the total cash balance in the Treasurer's ledger by \$11,867 at December 31, 2012.

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 AUDITOR
PUTNAM COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 6, 2013, with Lorie Hallett, Auditor; Donald K. Walton, President of the Board of County Commissioners; and J.W. Ensley, County Attorney.