

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

AUDIT REPORT

OF

COUNTY AUDITOR

STEBEN COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED
09/05/2013

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Pamela Coleman	01-01-11 to 12-31-14
President of the County Council	William Booth Richard Shipe	01-01-12 to 12-31-12 01-01-13 to 12-31-13
President of the Board of County Commissioners	Ronald Smith	01-01-12 to 12-31-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF STEUBEN 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 Result and Comment. The financial transactions of this office are reflected in the Financial Statement and Federal Single Audit Report of Steuben County for the year 2012.

STATE BOARD OF ACCOUNTS

August 20, 2013

COUNTY AUDITOR
STEUBEN COUNTY
AUDIT RESULT AND COMMENT

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS
AND REPORTING - PAYROLL PROCESSING***

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 payroll and related liabilities. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. The County's payroll processing is handled primarily by one staff person in the County Auditor's office. The individual inputs the information from the department's payroll vouchers into the computerized payroll system, issues the payments for employee benefits and related payroll expenses, and reconciles the direct deposit listing to a detailed employee list.
2. Monitoring of Controls: Effective internal control over financial reporting requires the Board of County Commissioners to monitor and assess the quality of the County's system of internal control. The County Auditor and Board of 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.

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)

COUNTY AUDITOR
STEUBEN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 20, 2013, with Pamela Coleman, Auditor; Ronald Smith, President of the County Commissioners; and Richard Shipe, President of the County Council. The Official Response has been made a part of this report and may be found on page 6.



**Pamela Coleman
Steuben County Auditor**

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August 29, 2013

Mr. Bruce Hartman
State Examiner
302 W. Washington St. Room E418
Indianapolis, IN 46204

RE: Response to Steuben County Annual Financial Report Audit Results and Comments 2012

Dear Mr. Hartman,

This letter is in response to the exit interview regarding the 2012 Steuben County Audit.

Lack of Segregation of Duties:

The Steuben County Auditor has implemented procedures to segregate the duties in the area of payroll. The Employee's Attendance Report will be submitted to the payroll deputy for review and audit with submitted payroll vouchers. The payroll deputy will process and prepare payroll for payment. The vouchers will be audited by the Auditor or Auditor's designee and compared to the Distribution report. The Auditor will approve the distribution report prior to the distribution of payroll. The Auditor or Auditor's designee will review payroll withholding, insurance and benefits reports and compare to current employee listings. All Accounts Payable Vouchers and Payroll Vouchers will be signed by the Auditor after review.

Monitoring of Controls:

The Steuben County Auditor and Steuben County Treasurer will implement procedures which will allow the Commissioners and Council to monitor and assess the internal control of the County's financial reporting system. The Auditor and Treasurer will submit to the County Commissioners and County Council the reconciliation reports used by both the Auditor and Treasurer to balance accounts and the end of each month to be placed in the minutes of record.

The Steuben County Auditor is more than willing to assist in the continued improvement of County Controls. The aforementioned deficiencies are a result of procedures maintained by Steuben County for more than 30 years. As these deficiencies are discovered, the Auditor will strive to improve the accounting system of Steuben County.

The Steuben County Auditor wishes to thank the State Board of Accounts in assisting with the implementation of new controls and procedures which assist in accuracy and accountability.

Respectfully,

Pamela Coleman
Steuben County Auditor