

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

AUDIT REPORT

OF

COUNTY TREASURER

MONROE COUNTY, INDIANA

January 1, 2012 to December 31, 2012



**FILED**  
09/25/2013



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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Catherine Smith	01-01-09 to 12-31-16
President of the Board of County Commissioners	Patrick Stoffers Mark Stoops Iris F. Kiesling	01-01-12 to 03-23-12 03-24-12 to 11-16-12 11-17-13 to 12-31-13
President of the County Council	Victor Kelson Geoff McKim	01-01-12 to 03-12-12 03-13-12 to 12-31-13



**STATE OF INDIANA**  
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STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF MONROE 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 Monroe County for the year 2012.

STATE BOARD OF ACCOUNTS

August 14, 2013

COUNTY TREASURER  
MONROE COUNTY  
AUDIT RESULT AND COMMENT

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

We noted several deficiencies in the internal control system of the County Treasurer's office related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

The County Treasurer's staff does not have sufficient internal controls over the processing of property tax payments, including segregation of duties. One person verified the cashier's collections paperwork, compared those collections to the bank deposits as prepared by the cashiers; posted the deposits to a summary sheet, and then posted to the Treasurer's Cash Book. That same person also reconciled the bank accounts.

As a result of inadequate internal controls, we noted the following issues:

The summary sheet, as referenced above, was kept daily to compare amount deposited to amount posted to the property tax software. If the amount deposited did not agree to amount posted the difference was noted. We noted on the summary sheet there was a difference on many days. A separate spreadsheet was kept to track the differences. The spreadsheet included a description column to identify the difference and when it was resolved. In most instances when we traced the difference through to when it should have been resolved, it was not resolved and a difference remained.

Additionally, we noted a deposit that didn't agree to the amounts reported on the summary sheet; a deposit correction that was made that didn't have adequate documentation; excise tax amount for settlement was split among the taxing districts on the Cash Book, but had already been transferred to the Auditor's ledger in preparation for settlement; nonsufficient fund checks did not always have a good audit trail to follow; the year end advance collections Cash Book balance did not agree to the property tax software balance, nor was there supporting documentation as to why there was a difference.

Also, the amounts posted to the Treasurer's Cash Book did not always agree to the collections for that day's business. Generally there was no notation as to why the difference and whether the difference included corrections or adjustments. Upon inquiry, supporting documentation was available to show the differences were due to corrections; however, these corrections were not reviewed and approved by someone other than the person a making the correction.

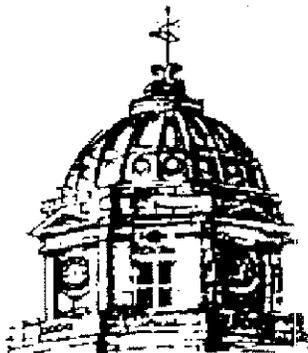
The Treasurer indicated that she did review the monthly bank reconcilements and other documents; however, there was no documentation of this review.

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 Treasurers of Indiana, Chapter 10)

COUNTY TREASURER  
MONROE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 14, 2013, with Catherine Smith, Treasurer. The Official Response has been made a part of this report and may be found on page 6.



**CATHERINE C. SMITH**  
Monroe County Treasurer

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Courthouse, Room 204  
100 West Kirkwood Avenue  
Bloomington, IN 47404  
Office (812) 349-2531  
Fax (812) 349-2079

August 22, 2013

**MEMORANDUM FOR RECORD**

**Treasurer's Office Response to SBOA 2012 Audit**

**My response to the 2012 Audit in general is as follows:**

**It is my intention to develop and implement a plan for corrective action which properly addresses these issues.**

In order to establish, implement and sustain sufficient internal control over financial transactions by creating a plan of corrective action to address these issues, I will do the following:

1. Continue to address the issue of segregation of financial duties with the County Council (who remain in charge of the creation of job duties, staffing levels and job descriptions) to make structural changes in the Treasurer's Department to separate the mechanics of banking functions from the management of our county's cashbook and tax collections. This will result in two different individuals handling each function.
2. Have these two different individuals together review entries and totals, ensuring proper balancing of our county's cash and properly documenting any corrections which are deemed necessary.
3. Create a financial review signoff sheet to prove that proper oversight of these areas was applied, such as the monthly reconciliation of bank accounts.

*Catherine Smith*

Catherine Smith