

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

AUDIT REPORT

OF

COUNTY AUDITOR

DEKALB COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED
10/02/2013

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	John Fetters	01-01-11 to 12-31-14
President of the County Council	Benjamin Smaltz Alan Middleton	01-01-12 to 12-31-12 01-01-13 to 12-31-13
President of the Board of County Commissioners	Donald Grogg	01-01-12 to 12-31-13



STATE OF INDIANA
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TO: THE OFFICIALS OF DEKALB 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 DeKalb County for the year 2012.

STATE BOARD OF ACCOUNTS

September 23, 2013

COUNTY AUDITOR
DEKALB COUNTY
AUDIT RESULTS AND COMMENTS

***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:

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 payroll staff person inputs the information from the departments' 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.

Monitoring of Controls: Effective internal control over financial reporting requires the Board of County Commissioners and County Auditor to monitor and assess the quality of the County's system of internal control. The Board of County Commissioners and the County Auditor have not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility place 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)

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND
REPORTING – 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: incorrect CFDA numbers and program names, incorrect pass-through agencies, and incorrect amounts for receipts and disbursements. Audit adjustments were proposed, accepted by the County, and made to the SEFA presented in the Financial Statement and Federal Single Audit Report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the Financial Statement.

COUNTY AUDITOR
DEKALB COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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OVERDRAWN CASH BALANCES

The financial statements presented in this report included the following funds with overdrawn cash balances at December 31, 2012:

Alternative Dispute Resolution	\$ 5,781
Self Insurance	551,504
Life Insurance	30
Dental Administrative Fee	652
Central Communications Building Project	227,402
Health Insurance Accrued	20,502
PHP Dental Insurance	9,014
HRA Claims	1,025
Payroll Withholding-HAS Annuity	45

The 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)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	Year	Excess Amount Expended
LEPC Right to Know	2012	<u>\$ 599</u>

There was a similar comment in the prior year's Report B40441.

Indiana Code 6-1.1-18-4 states in part: ". . . The proper officer of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

COUNTY AUDITOR
DEKALB COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 23, 2013, with John Fetters, Auditor, and Donald Grogg, President of the Board of County Commissioners.