

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

AUDIT REPORT

OF

COUNTY AUDITOR

SHELBY COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED
10/08/2013

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
County Officials	2
Transmittal Letter	3
Audit Results and Comments:	
E-911 Funds	4
Compensation and Benefits	4
Appropriations.....	4-5
Internal Controls Over Payroll Withholding Fund	5
Overdrawn Cash Balances.....	5
Internal Control Over Preparation of the Schedule of Expenditures of Federal Awards.....	6
Exit Conference.....	7

COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Amy L. Glackman	01-01-11 to 12-31-14
President of the County Council	Tom K. Debaun Scott M. Asher	01-01-12 to 12-31-12 01-01-13 to 12-31-13
President of the Board of County Commissioners	Tony Newton (Deceased) (Vacant) Kevin Nigh	01-01-12 to 10-25-12 10-26-12 to 12-31-12 01-01-13 to 12-31-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF SHELBY 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 Financial Statement and Federal Single Audit Report of Shelby County for the year 2012.

STATE BOARD OF ACCOUNTS

September 10, 2013

COUNTY AUDITOR
SHELBY COUNTY
AUDIT RESULTS AND COMMENTS

E-911 FUNDS

The County did not close out the E-911 Landline and E-911 Wireless funds in 2012 as required. They did stop receipting and disbursing from these funds and created a new fund for all phone fees. There was a balance of \$463,294.08 remaining in the E-911 Landline fund and a balance of \$50,633.28 remaining in the E-911 Wireless fund on December 31, 2012.

Indiana Code 36-8-16.7-38(f) A distribution under section 37(a)(2) of this chapter must be deposited by the treasurer of the county in a separate fund set aside for the purposes allowed by subsections (a) and (b). The fund must be known as the Shelby County 911 Fund. The County Treasurer may invest money in the fund in the same manner that other money of the county may be invested, but income earned from the investment must be deposited in the fund set aside under this subsection.

Noncode Act 2012-132-23 (a) states:

"The funds that remain on June 30, 2012, in a county's wireless emergency telephone system fund established by IC 36-8-16.5-43 (before its repeal by this act on July 1, 2012) shall be transferred on July 1, 2012, by the county treasurer to the county's 911 fund required to be set aside by the county treasurer under IC 36-8-16.7-38(f), as added by this act."

Noncode Act 2012-132-24 (a) states:

"The funds that remain on June 30, 2012, in an emergency telephone system fund established by a county under IC 36-8-16-13 (before its repeal by this act on July 1, 2012) shall be transferred on July 1, 2012, by the county treasurer to the county's 911 fund required to be set aside by the county treasurer under IC 36-8-16.7-38(f), as added by this act."

COMPENSATION AND BENEFITS

Compensation and benefits were paid to elected officials and hourly employees whom were not included on the salary ordinance or resolution.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 14)

APPROPRIATIONS

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

COUNTY AUDITOR
SHELBY COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Fund	Year	Excess Amount Expended
Rainy Day	2012	\$ 307,547
General	2012	242,416
Cumulative Reassessment	2012	337
Cum. Cou	2012	3,954
Health	2012	18,356

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers 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."

INTERNAL CONTROLS OVER PAYROLL WITHHOLDING FUND

Internal controls over the receipting, disbursing, recording, and accounting for the financial activities of the county's payroll withholding fund were insufficient. As reported in the previous three audit reports of the County, the individual payroll withholding funds are not being reconciled. At December 31, 2012, the account balances of the Due To Insurance, Due to Public Employees Retirement (PERF), Due to Federal Withholding, and Due to Deferred Compensation, and Due to Employee had insufficient balances of \$26,748.72, \$10,346.59, \$2,834.65, \$2,269.29, and \$66.96, respectively, to make the required remittances due in January 2013.

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 County Auditors, Chapter 14)

OVERDRAWN CASH BALANCES

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

Fund	Amount Overdrawn
Payroll	\$ 12,023
Settlement Fund	4,252
County Wheel Tax	427
New Settlement	27

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, Chapter 14)

COUNTY AUDITOR
SHELBY COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

***INTERNAL CONTROL OVER PREPARATION OF THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The Schedule of Expenditures of Federal Awards (SEFA) is required by the U.S. Office of Management and Budget Circular A-133, Audits of States, and Local Governments, and Non-Profit Organizations for entities receiving federal funds in excess of \$500,000 in order to summarize the use of federal monies received. The County did not have proper procedures in place to ensure that the SEFA prepared was materially correct.

Effective internal control over preparation of the SEFA involves the identification and analysis of the risks of material misstatement to the County's audited SEFA and then determining how those identified risks should be managed. The County has not identified risks to the preparation of that are liable for the SEFA and as a result has failed to design effective controls over the preparation of the SEFA to prevent or detect material misstatements, including notes to the SEFA.

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: the State and Community Highway Safety, Alcohol Impaired Driving Countermeasures Incentive Grants I, and Special Programs for the Aging Title VII were overstated by \$2,843, \$815, and \$9,176 respectively; the Highway Planning and Construction, Child Support Enforcement, Emergency Management Performance Grants, Public Health Emergency Preparedness, Emergency System for Advance Registration of Volunteer Health Professionals, and Non-Profit Security Program programs were understated by \$328,446, \$86,593, \$19,270, \$1,512, \$4,051, and \$25,720 respectively. The Hazard Mitigation Grant program was incorrectly reported as a Community Development Block Grant.

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
SHELBY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 10, 2013, with Amy L. Glackman, Auditor; Kevin Nigh, President of the Board of County Commissioners; and Scott M. Asher, President of the County Council. The officials concurred with our audit findings.