

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

AUDIT REPORT
OF
COUNTY COUNCIL
DEARBORN COUNTY, INDIANA
January 1, 2012 to December 31, 2012



FILED
04/08/2014

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of the County Council	Dennis Kraus, Sr.	01-01-12 to 12-31-14
President of the Board of County Commissioners	Jeffery Hughes Shane McHenry	01-01-12 to 12-31-12 01-01-13 to 12-31-14



STATE OF INDIANA
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TO: THE OFFICIALS OF DEARBORN COUNTY

We have audited the records of the County Council 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 Dearborn County for the year 2012.

STATE BOARD OF ACCOUNTS

March 12, 2014

COUNTY COUNCIL
DEARBORN COUNTY
AUDIT RESULTS AND COMMENTS

DONATIONS OF RIVERBOAT ADMISSION TAX FUNDS

The County receives admission taxes derived from a riverboat gaming facility. During the year 2012, the County gave \$1,582,242 of riverboat admissions tax to various governmental entities pursuant to revenue sharing agreements. The amount was paid from the Riverboat Admissions Fund.

Indiana Code 4-33-12 (Admission Taxes) does not contain provisions authorizing a county to enter into agreements with units of local government to share a County's share of admission taxes.

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)

A similar comment was reported in the prior Reports B31158, B32742, B34942, B37354, B39092, and B40793.

INTERNAL CONTROL - FINANCIAL ASSISTANCE TO ENTITIES

The County Council has been the governing body primarily responsible for authorizing financial assistance to nongovernmental entities. During the year 2012, the County provided financial assistance to nongovernmental entities totaling \$431,761. However, the County did not enter into contracts, grant agreements, or memorandums of understanding describing the purpose of the financial assistance or how the financial assistance was to be used. In addition, without a contract, grant agreement, or memorandum of understanding, there is no guarantee that the entities were adequately informed of the reporting and examination requirements in Indiana Code 5-11-1

A contract, grant agreement, or memorandum of understanding is a starting point in establishing internal controls to provide assurance that public funds paid to other entities are being used for intended public purposes. The County made the following payments to nongovernmental entities from its Riverboat Admissions and Riverboat Revenue Funds without a contract, grant agreement, or memorandum of understanding during the year 2012:

COUNTY COUNCIL
DEARBORN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Entity	Totals
Volunteer Fire Departments (1)	\$ 180,827
Emergency Service Units (2)	135,621
Private Schools (3)	<u>115,313</u>
Total	<u>\$ 431,761</u>

Note to Schedule:

- (1) Total payments made to twelve volunteer fire departments from the Riverboat Admissions Fund.
- (2) Total payments made to nine emergency service units from the Riverboat Admissions Fund.
- (3) Total payments made to five private schools from the Riverboat Revenue Fund.

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)

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Indiana Code 5-11-1-16(a) states in part: "As used in this article, 'municipality' means any county . . . or other political subdivision of Indiana."

Indiana Code 5-11-1-24(f) states: "The state or a municipality may not enter into a contract with an entity subject to examination under this chapter if the contract does not permit the examinations and require the reports prescribed by this chapter."

COUNTY COUNCIL
DEARBORN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 12, 2014, with Dennis Kraus, Sr., President of the County Council; Shane McHenry, President of the Board of County Commissioners; Gayle Pennington, Auditor; and Leah Bailey, Financial Controller.