

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WARRICK COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
11/26/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	L. B. "Dixie" Dugan	01-01-11 to 12-31-14
Treasurer	Pat A. Brooks	01-01-13 to 12-31-16
Clerk	Sarah E. Redman	01-01-13 to 12-31-16
Sheriff	Brett Kruse	01-01-11 to 12-31-14
Recorder	Yvonne Hughes	01-01-13 to 12-31-16
President of the Board of County Commissioners	Don Williams	01-01-13 to 12-31-14
President of the County Council	Gary Meyer	01-01-13 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF WARRICK COUNTY, INDIANA

This report is supplemental to our audit report of Warrick County (County), for the period from January 1, 2013 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the County, which provides our opinions on the County's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

October 16, 2014

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COUNTY AUDITOR
WARRICK COUNTY

COUNTY AUDITOR
WARRICK COUNTY
FEDERAL FINDING

***FINDING 2013-001 - INTERNAL CONTROLS OVER THE 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: three programs were omitted from the schedule, the amounts reported for two federal programs as expended were materially incorrect, three grants were included that were not federal programs, some program names were reported incorrectly and a program that was funded through the American Recovery and Reinvestment Act was not separately identified as such. Audit adjustments were proposed, accepted by the County, and made to the SEFA presented in this report.

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 Auditors of Indiana, Chapter 14)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

COUNTY AUDITOR
WARRICK COUNTY
FEDERAL FINDING
(Continued)

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

2 CFR 176.210(b) states in part:

"For recipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A-133, 'Audits of States, Local Governments, and Non-Profit Organizations,' recipients agree to separately identify the expenditures for Federal awards under the Recovery Act on the Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection Form (SF-SAC) required by OMB Circular A-133. . . . This shall be accomplished by identifying expenditures for Federal awards made under the Recovery Act separately on the SEFA, and as separate rows under Item 9 of Part III on the SF-SAC by CFDA number, and inclusion of the prefix 'ARRA-' in identifying the name of the Federal program on the SEFA and as the first characters in Item 9d of Part III on the SF-SAC."

**Office of L. B. Dixie Dugan
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Warrick Judicial Center
One County Square, Suite 240
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(812) 897-6110
auditor@warrickcounty.gov**

CORRECTIVE ACTION PLAN

Finding No. 2013-001, Internal Controls Over the Schedule of Expenditures and Federal Awards

**Contact Person Responsible for Corrective Action: Allan James
Contact Phone Number: 812.897.6115**

Description of Corrective Action Plan:

The Warrick County Auditor's Office has had and will continue to enact procedures which require departments to report detailed information on all grants received. We implemented the use of the Grant Summary Report in 2012 as provided by the SBOA. We have asked all departments to complete this form for all grants. We will now require all departments to resubmit this form each year. In addition we will require those departments that use federal grant funds to submit a Schedule of Expenditures of Federal Awards (SEFA), which must be signed by the department head. This form will be reviewed, receipts verified and approved by the Auditor's Office.

The three grants omitted from the SEFA schedule have been corrected. A new fund was created for one grant, the three child support and indirect costs program have been added to the schedule and one federal award was a onetime reimbursement for helping with Hurricane Sandy.

The three grants included with the federal awards that were not federal awards have been removed and added to the correct regular grant schedule. We will now have a separate spreadsheet for federal grant programs.

We have requested that the Commissioner's Office only pay the reimbursable amount from the grant fund on Department of Transportation grants with the remainder from the EDIT fund. This will insure the grants will have zero funds.

There is a definite need for improved communication between federal, state and local offices as well as the local county departments to the Auditor's Office. We plan to communicate to the local departments that they need to be accountable for correct information to the Auditor's Office.

Anticipated Completion Date: Immediate



**Allan James
First Deputy Auditor
10/08/2014**

COUNTY AUDITOR
WARRICK COUNTY
AUDIT RESULT AND COMMENT

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Rainy Day	2013	<u>\$ 41,468</u>

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."

COUNTY AUDITOR
WARRICK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 16, 2014, with Allan James, First Deputy Auditor; Don Williams, President of the Board of County Commissioners; and Gary Meyer, President of the County Council.

COUNTY CLERK OF THE CIRCUIT COURT
WARRICK COUNTY

COUNTY CLERK OF THE CIRCUIT COURT
WARRICK COUNTY
FEDERAL FINDING

FINDING 2013-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted the following deficiency in the internal control system of the County Clerk of the Circuit Court's Office related to financial transactions and reporting. We believe the following deficiency constitutes a material weakness:

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 Clerk's Office has not separated incompatible activities related to disbursements. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

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 Clerks of the Circuit Courts of Indiana, Chapter 13)

Warrick County Clerk of Circuit Court

Sarah E. Redman
Clerk

One County Sq. Suite 200
Boonville, IN 47601

• (812) 897-6160 • clerk@warrickcounty.gov • (812) 897-6400 fax •

October 2, 2014

CORRECTIVE ACTION PLAN

FINDING NO. 2013-002 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Sarah Redman
Contact Phone Number: (812) 897-6163

Description of Corrective Action Plan: When a check is issued, the deputy issuing the check has another deputy/clerk to verify and sign and/or stamp the check.

Anticipated Completion Date: Immediately

Please feel free to contact me with any questions. Thank you.

Respectfully,



Sarah Redman
Circuit Court Clerk
Warrick County

COUNTY CLERK OF THE CIRCUIT COURT
WARRICK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 16, 2014, with Sarah E. Redman, Clerk; Holly N. Key, Chief Deputy; Don Williams, President of the Board of County Commissioners; Gary Meyer, President of the County Council; and Allan James, First Deputy Auditor.

COUNTY TREASURER
WARRICK COUNTY

COUNTY TREASURER
WARRICK COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROL OVER PROPERTY TAX RECEIPTS

As part of the audit of the County Treasurer's financial records for the year 2013, we also reviewed certain financial records related to the year 2014.

The County uses a computerized accounting system for the billing of property taxes and for the recording of payment of property taxes. When a receipt is provided to a taxpayer for the payment of property taxes, the computerized accounting system produces a validated receipt that is integrated with other computerized property tax records (Register of Taxes Collected and Tax Duplicate). The purpose of the computerized tax receipt being integrated with other property tax records is to enhance the internal control over property tax payments. In addition, the receipt generated from the County's computerized accounting system is the receipt approved by the Indiana State Board of Accounts for Warrick County.

The County Treasurer is required by Indiana Code 6-1.1-22-12 to provide a validated receipt to a taxpayer upon request. Various taxpayers presented us with copies of receipts provided to them by the County Treasurer's Office. These included handwritten receipts and another type of receipt that were not integrated with computerized accounting system. These receipts were also not approved by the Indiana State Board of Accounts. We were able to trace the receipts presented by taxpayers to entries on the computerized accounting system. However, the County Treasurer's Office did not have a duplicate copy of the manual receipts issued to taxpayers. As a result of duplicate receipts not being presented for audit, we were unable to determine how many other manual receipts were provided by taxpayers and we were unable to trace any other manual receipts through the computerized accounting system.

The use of receipts outside the computerized accounting system diminishes the internal control over collection of property tax payments.

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)

Indiana Code 6-1.1-22-12 states in part:

"(a) When a property owner pays the taxes or special assessments levied against any property, and a receipt is provided by the county treasurer, the receipt shall be on a form prescribed or approved by the state board of accounts."

Indiana Code 5-11-1-21 states in part: "All public officers shall adopt and use the books, forms, records, and systems of accounting and reporting adopted by the state board of accounts, when directed so to do by the board . . ."

Patricia A. Brooks
Warrick County Treasurer

Response to Audit Results and Comment 2013

We have discussed and corrected the issue regarding receipts. Our intent was never that the handwritten acknowledgment was to serve as a receipt. It was to serve as a record for the taxpayer that they had presented their payment to our office. Taxpayers were told their check served as their receipt. The official receipt is electronic and stored within the MVP system used by Warrick County. We used the acknowledgement slips only during spring tax season and have not used since that time. Currently, we are providing a computerized validated receipt to taxpayers who pay in our office in accordance with IC 6-1.1-22-12. For payments received by mail, the check serves as their receipt unless they have enclosed a self-addressed stamped envelope, in which case they receive a computerized validated receipt.

We are trying to comply with state codes that have not kept up with today's technology currently used in the Warrick County Treasurer's office. It has been and is always my goal to comply with state codes and protect the taxpayers' dollars.

COUNTY TREASURER
WARRICK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 16, 2014, with Pat A. Brooks, Treasurer; Debbie Stevens, First Deputy Treasurer; Don Williams, President of the Board of County Commissioners; Gary Meyer, President of the County Council; and Allan James, First Deputy Auditor.