

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MADISON COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED

01/09/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Jane Lyons	01-01-13 to 12-31-16
Treasurer	Kelly Gaskill	01-01-11 to 12-31-18
Clerk	Darlene Likens	01-01-11 to 12-31-18
Sheriff	Ron Richardson	01-01-11 to 12-31-14
President of the Board of County Commissioners	John Richwine	01-01-13 to 12-31-14
President of the County Council	John Bostic Lisa Hobbs	01-01-13 to 12-31-13 01-01-14 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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TO: THE OFFICIALS OF MADISON COUNTY, INDIANA

This report is supplemental to our audit report of Madison 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 29, 2014

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COUNTY ENGINEER
MADISON COUNTY

COUNTY ENGINEER
MADISON COUNTY
FEDERAL FINDINGS

**FINDING 2013-002 - INTERNAL CONTROLS AND COMPLIANCE
OVER CASH MANAGEMENT AND REPORTING**

Federal Agency: Department of Transportation

Federal Program: Highway Planning and Construction

CFDA Number: 20.205

Federal Award Number and Year (or Other Identifying Number): DES #0801065, DES #0901982,
DES #1000046

Pass-Through Entity: Indiana Department of Transportation

The Highway Planning and Construction grant is administered on a reimbursement basis. Based on our understanding of controls over Cash Management and Reporting, it was determined that the controls were not properly designed and implemented for at least a portion of 2013 for grants handled by the County Engineering Department. The process in place was to complete and submit reimbursement reports before paying vendors. This was determined to be a material weakness in internal controls over cash management and reporting for this program.

As a result of the control deficiency noted above, noncompliance with Cash Management and Reporting requirements was found during 2013. Of the reimbursement reports tested, 38 percent were submitted prior to paying vendors. Grant expenses were generally paid 35 to 40 days after the reimbursements were requested. This was considered material noncompliance.

49 CFR 18.21(d) states:

"Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met. Grantees and subgrantees may also be paid by reimbursement for any construction grant. Except as otherwise specified in regulation, Federal agencies shall not use the percentage of completion method to pay construction grants. The grantee or subgrantee may use that method to pay its construction contractor, and if it does, the awarding agency's payments to the grantee or subgrantee will be based on the grantee's or subgrantee's actual rate of disbursement."

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the County.

We recommended that the County design and properly monitor internal control procedures that would ensure federal funds received on a reimbursement basis are supported by actual expenditures made prior to the reimbursement request.

COUNTY ENGINEER
MADISON COUNTY
FEDERAL FINDINGS
(Continued)

**FINDING 2013-003 - INTERNAL CONTROLS AND COMPLIANCE
OVER EQUIPMENT AND REAL PROPERTY MANAGEMENT**

Federal Agency: Department of Transportation

Federal Program: Highway Planning and Construction Cluster

CFDA Number: 20.205

Federal Award Number and Year (or Other Identifying Number): DES #0901982

Pass-Through Entity: Indiana Department of Transportation

The County did not have controls in place to ensure that assets purchased with federal funds were properly inventoried or included in the capital assets records. The County uses asset forms to obtain asset information from various departments. Asset forms were primarily used for machinery and equipment and were not used for buildings, land, construction, or infrastructure. Separate property records that include the asset categories mentioned above were maintained in the Board of County Commissioner's Office; however, no formal procedures were established to ensure the property records were complete. No procedures or methods were in place to communicate or report these types of assets to the Auditor's Office so that the assets could be recorded in the capital asset records. Additionally, neither the County's capital asset records nor the Board of County Commissioner's property records identify assets as purchased with federal funds.

Due to control issues noted above, noncompliance was found in all items tested during 2013. Grant monies were used for 24 right-of-way land purchases. All of the land purchases were deeded to the County, but were not included in the capital asset records or any other property records maintained by the County.

49 CFR 18.32(d) states:

- "(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return."

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

COUNTY ENGINEER
MADISON COUNTY
FEDERAL FINDINGS
(Continued)

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the County.

We recommended that the County design and properly monitor internal control procedures that would ensure all property purchased with federal funds are included in their asset records or inventories and identified as purchased with federal funds.



MADISON COUNTY HIGHWAY ENGINEER
MADISON COUNTY HIGHWAY DEPARTMENT
2830 WEST EIGHTH STREET
ANDERSON, INDIANA 46011-1949

765/646-9240
Fax 765/646-9251

CORRECTIVE ACTION PLAN

FINDING 2013-002

Contact Person Responsible for Corrective Action: Charles E. Leser, P.E.
Contact Phone Number: 765-646-9245

Description of Corrective Action Plan:

INDOT requires a copy of the canceled check to be attached to the reimbursement documents.

Anticipated Completion Date:

Already completed.

FINDING 2013-003

Contact Person Responsible for Corrective Action: Charles E. Leser, P.E.
Contact Phone Number: 765-646-9245

Description of Corrective Action Plan:

County Road 300 East, 24 parcels of Right of Way.

1. The property record for the 24 parcels has been generated. This project was the first project for Madison County that utilized federal funds for the purchase of Right of Way. Local projects purchase easements, not land.
2. Madison County will in the future generate the Right of Way inventory for purchased Right of Ways and the inventory will state whether federal funds or local funds were used for the purchase of Right of Ways.

Anticipated Completion Date:

Immediately.

Madison County Highway Engineer

Charles E. Leser, P.E.

Date: October 28, 2014



COUNTY ENGINEER
MADISON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 28, 2014, with Charles Leser, County Engineer.

BOARD OF COUNTY COMMISSIONERS
MADISON COUNTY

BOARD OF COUNTY COMMISSIONERS
MADISON COUNTY
AUDIT RESULTS AND COMMENTS

DISBURSEMENTS - GOVERNING BODY APPROVAL

Some disbursements, referred by the County as "Utility Checks," were made during 2013 without documentation of approval by the governing body. The payments were intended to be paid in advance of approval and consisted primarily of disbursements for utility bills, contract payments, debt obligations, and possibly others. However, these disbursements were not included in the voucher register approved by the County Commissioners nor were they included on separate lists before or after issuance of the payment. Additionally, the County did not have a resolution authorizing these types of disbursements to be paid in advance of approval.

In addition to the disbursements noted above, there were also instances of payroll disbursements not properly approved during 2013. All of the payroll register reports for 2013 were reviewed and 7 percent of them only had one Commissioner signature. Of the remaining payroll register reports, 61 percent were signed by two Commissioners and 32 percent were signed by all three Commissioners. Also, the payroll register reports signed by the Commissioners did not contain any specific information regarding the payroll that was being approved, such as total payroll amount, date approved, or number of pages included in the report. Basically, the Commissioners were signing blank payroll register forms and including them with the payroll reports. A similar comment regarding the approval of payroll also appeared in the two previous audit reports.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

RECORD OF HOURS WORKED

The Weights and Measure's Inspector did not maintain time records for 2013. The Inspector is considered a full-time employee of the County and receives compensated absences and other employee benefits. The Inspector maintains an office offsite and does not maintain regular business hours. The Inspector provided monthly reports to the Board of County Commissioners which detailed the work completed each month, but did not provide an accounting of days or hours worked for the County. The Inspector was paid the same salary every pay period, but was not required to submit any type of time reporting to the payroll department prior to payment of his salary. The Inspector was also employed as the City of Elwood Judge.

BOARD OF COUNTY COMMISSIONERS
MADISON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-9-4 requires that records be maintained showing which hours are worked each day for employees employed by more than one political subdivision or in more than one position by the same public agency. This requirement can be met by indicating the number of hours worked on each Employee's Service Record, General Form No. 99A and/or General Form No. 99B.

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employees' Service Record
General Form 99B, Employee's Earnings Record
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor.

(Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 5)

SUPPORTING DOCUMENTATION

The County Highway Fund has been paying \$38,522.35 per month since April 2012 for health insurance without any documentation to support the amount paid. Payments were made to the County's Anthem fund (self-insurance fund). Several other funds also made payments to the Anthem fund for their employee's health insurance; however, the amounts paid were based on a calculation of the actual premium costs for their types of coverage.

Due to the lack of supporting information, we could not verify the accuracy of the amount disbursed from the County Highway Fund for health insurance during 2013.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

CONFLICT OF INTEREST

A Major in the Sheriff's Department has a lawn care service, which performed lawn care services for the County's weapons range during 2013. The amount paid for these services during the audit period was \$2,950. A Uniform Conflict of Interest Disclosure Statement was not filed by the employee.

BOARD OF COUNTY COMMISSIONERS
MADISON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 35-44.1-1-4 states in part:

"(b) A public servant who knowingly or intentionally:

- (1) has a pecuniary interest in; or
- (2) derives a profit from;

a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Level 6 felony.

(c) It is not an offense under this section if any of the following apply: . . .

(6) A public servant makes a disclosure that meets the requirements of subsection (d) or (e) and is:

(A) not a member or on the staff of the governing body empowered to contract or purchase on behalf of the governmental entity, and functions and performs duties for the governmental entity unrelated to the contract or purchase;

(B) appointed by an elected public servant;

(C) employed by the governing body of a school corporation and the contract or purchase involves the employment of a dependent or the payment of fees to a dependent;

(D) elected; or

(E) a member of, or a person appointed by, the board of trustees of a state supported college or university. . . .

(d) A disclosure must:

- (1) be in writing;
- (2) describe the contract or purchase to be made by the governmental entity;
- (3) describe the pecuniary interest that the public servant has in the contract or purchase;
- (4) be affirmed under penalty of perjury;
- (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity before final action on the contract or purchase;
- (6) be filed within fifteen (15) days after final action on the contract or purchase with:
 - (A) the state board of accounts; and
 - (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."



MADISON COUNTY AUDITOR'S OFFICE

ANDERSON, INDIANA

Jane Lyons, Auditor

November 3, 2014

Response to the 2013 Audit Results and Comments for The County Auditor and County Commissioners

DISBURSEMENTS-GOVERNING BODY APPROVAL

1. For the "Utility Checks" : an Ordinance has been adopted by the Commissioners to pay certain "Utility Checks" claims prior to approval or Auditor will always ask for claims to have at least two Commissioners signatures.
2. Auditor and Commissioners will make sure all payroll registers have all information on them and have at least two signatures.

RECORD OF HOURS WORKED

Auditor and Commissioners will make sure Weights and Measure's Inspector has turned in the time keeping sheets for hours worked and benefit days taken.

SUPPORTING DOCUMENTATION

Auditor and Commissioners will make sure all claims for Insurance payments paid from the Highway Fund include supporting documentation of employees being paid from that fund and their coverage.

Jane Lyons, Mad Co Auditor

John Richwine, Mad Co Commissioner

BOARD OF COUNTY COMMISSIONERS
MADISON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 29, 2014, with John Richwine, President of the Board of County Commissioners.

COUNTY AUDITOR
MADISON COUNTY

COUNTY AUDITOR
MADISON COUNTY
FEDERAL FINDING

FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL AND FEDERAL REPORTING

The County did not have adequate controls in place to ensure that financial information reported in the Annual Report was accurate. The Annual Report for 2013 contained numerous errors and did not properly reflect the financial activity of the County. As a result, the financial statement, Schedule of Expenditures of Federal Awards (SEFA), and other supplemental schedules which were compiled from the Annual Report also contained errors. Corrections and adjustments to the financial statement and Schedule of Expenditures of Federal Awards (SEFA) were recommended and approved by the County's management.

The following errors were noted in the financial statement and supplemental schedules:

1. The Payroll fund did not report a beginning balance in the 2013 Annual Report. The beginning balance of the Payroll fund was \$1,288,842. The beginning balance was included in the Payroll fund receipts reported for 2013. This resulted in an understatement of the beginning cash balance and an overstatement of receipts in the amount of \$1,288,842. The beginning cash balance and receipts reported in the financial statement were adjusted to reflect the correct amounts.
2. The beginning and ending cash balances reported for the Clerk Trust fund were incorrect. Investments for the Clerk Trust fund were included in the cash balance twice. This resulted in an overstatement of the beginning and ending cash balance of \$1,837,618. The beginning and ending cash balances reported in the financial statement were adjusted to reflect the correct amounts.
3. The Total Monies fund did not report any disbursements. The financial records of the County indicated the Total Monies fund had \$500,000 in disbursements. This resulted in an understatement receipts and overstatement of ending balance for 2013 in the amount of \$500,000. The disbursements and ending cash balance reported in the financial statement were adjusted to reflect the correct amounts.
4. The Inmate Trust fund reported incorrect amounts for beginning cash, receipts, disbursements, and ending cash. The amounts reported for beginning and ending cash were the balances held in the bank accounts at January 1, 2013, and December 31, 2013, and not the balances in the financial records. The amounts reported for receipts and disbursements were not supported by the bank activity or the financial records and the responsible personnel were not sure where the amounts reported came from. According to the departmental records, the beginning cash was overstated by \$6,444, receipts were understated by \$313,885, disbursements were understated by \$314,443, and ending cash was overstated by \$7,002. The beginning cash, receipts, disbursements, and ending cash reported in the financial statement were adjusted to reflect the correct amounts.
5. The Sheriff Civil fund reported an incorrect amount of receipts. The year-to-date receipts reported was manually calculated by adding monthly totals. However, a receipt was duplicated in the records and the wrong monthly totals were included when calculating year-to-date receipts for 2013. This resulted in an overstatement of receipts and ending cash in the amount of \$22,645. The receipts and ending cash reported in the financial statement were adjusted to reflect the correct amount.

COUNTY AUDITOR
MADISON COUNTY
FEDERAL FINDING
(Continued)

6. Receipts and disbursements for numerous funds were not properly classified. Various types of receipts and disbursements were reported as "Other" in the financial records and the Annual Report. Receipts and disbursements should be classified by their sources and functions. During the audit, it was noted that several funds were not classifying their receipts or disbursements when recording the transactions in their financial records. They were using generic classifications, such as, miscellaneous, other, and nonbudgeted. This did not provide enough information at year end to complete the Annual Report information properly. As a result, the Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis which is compiled from the Annual Report information did not provide a true reflection of receipt and disbursements activities for all funds.

In addition to the errors noted above, the Schedule of Expenditures of Federal Awards (SEFA) contained numerous errors. Information regarding the federal agency, pass-through entities, CFDA numbers, award numbers, and federal amounts expended were incorrect in numerous instances. Also, several grants were not reported on the original SEFA. Adjustments were made to the SEFA to report the federal information accurately. The net effect of all adjustments increased the SEFA by \$2,840,821.

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:

- (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.

COUNTY AUDITOR
MADISON COUNTY
FEDERAL FINDING

- (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."



MADISON COUNTY AUDITOR'S OFFICE
ANDERSON, INDIANA

Jane Lyons, Auditor

October 29, 2014

CORRECTIVE ACTION PLAN

FINDING 2013-001

Contact Person Responsible for Corrective Action: Jane Lyons, Madison Co Auditor
Contact Phone Number: 765-641-9425

Description of Corrective Action Plan:

1. No beginning balance due to conversion, vendor instructed to put on as receipts. Will have beginning balance for 2014. Procedures will be put in place to review financial information before submitting Annual Report.
2. Clerk turned in two reports. For 2014 will get clarification on report totals. Will request additional reports from their financial system to verify. Procedures will be put in place to review financial information before submitting Annual Report.
3. For 2014 will check fund beginning and ending balances between annual report and financial system to make sure they agree. Procedures will be put in place to review financial information before submitting Annual Report.
4. For 2014 will request additional reports from their financial system to verify what we received is accurate. Procedures will be put in place to review financial information before submitting Annual Report.
5. For 2014 will request additional reports from their financial system to verify what we received is accurate. Procedures will be put in place to review financial information before submitting Annual Report
6. Made corrections on financial system to categorize disbursements correctly.

We put procedures in place to identify all federal grants in order to complete the SEFA correctly and completely.


Madison County Auditor

COUNTY AUDITOR
MADISON COUNTY
AUDIT RESULTS AND COMMENTS

DISBURSEMENTS - GOVERNING BODY APPROVAL

Some disbursements, referred by the County as "Utility Checks," were made during 2013 without documentation of approval by the governing body. The payments were intended to be paid in advance of approval and consisted primarily of disbursements for utility bills, contract payments, debt obligations, and possibly others. However, these disbursements were not included in the voucher register approved by the Board of County Commissioners nor were they included on separate lists before or after issuance of the payment. Additionally, the County did not have a resolution authorizing these types of disbursements to be paid in advance of approval.

In addition to the disbursements noted above, there were also instances of payroll disbursements not properly approved during 2013. All of the payroll register reports for 2013 were reviewed and 7 percent of them only had one Commissioner signature. Of the remaining payroll register reports, 61 percent were signed by two Commissioners and 32 percent were signed by all three Commissioners. Also, the payroll register reports signed by the Commissioners did not contain any specific information regarding the payroll that was being approved, such as total payroll amount, date approved, or number of pages included in the report. Basically, the Commissioners were signing blank payroll register forms and including them with the payroll reports. A similar comment regarding the approval of payroll also appeared in the two previous audit reports.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (7) there is a fully itemized invoice or bill for the claim;
- (8) the invoice or bill is approved by the officer or person receiving the goods and services;
- (9) the invoice or bill is filed with the governmental entity's fiscal officer;
- (10) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (11) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

RECORD OF HOURS WORKED

The Weights and Measure's Inspector did not maintain time records for 2013. The Inspector is considered a full-time employee of the County and receives compensated absences and other employee benefits. The Inspector maintains an office offsite and does not maintain regular business hours. The Inspector provided monthly reports to the Board of County Commissioners which detailed the work completed each month, but did not provide an accounting of days or hours worked for the County. The Inspector was paid the same salary every pay period, but was not required to submit any type of time reporting to the payroll department prior to payment of his salary. The Inspector was also employed as the City of Elwood Judge.

COUNTY AUDITOR
MADISON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-9-4 requires that records be maintained showing which hours are worked each day for employees employed by more than one political subdivision or in more than one position by the same public agency. This requirement can be met by indicating the number of hours worked on each Employee's Service Record, General Form No. 99A and/or General Form No. 99B.

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employees' Service Record
General Form 99B, Employee's Earnings Record
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor.

(Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 5)

SUPPORTING DOCUMENTATION

The County Highway Fund has been paying \$38,522.35 per month since April 2012 for health insurance without any documentation to support the amount paid. Payments were made to the County's Anthem fund (self-insurance fund). Several other funds also made payments to the Anthem fund for their employee's health insurance; however, the amounts paid were based on a calculation of the actual premium costs for their types of coverage.

Due to the lack of supporting information, we could not verify the accuracy of the amount disbursed from the County Highway Fund for health insurance during 2013.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

CONFLICT OF INTEREST

A Major in the Sheriff's Department has a lawn care service, which performed lawn care services for the County's weapons range during 2013. The amount paid for these services during the audit period was \$2,950. A Uniform Conflict of Interest Disclosure Statement was not filed by the employee.

COUNTY AUDITOR
MADISON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 35-44.1-1-4 states in part:

"(b) A public servant who knowingly or intentionally:

- (1) has a pecuniary interest in; or
- (2) derives a profit from;

a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Level 6 felony.

(c) It is not an offense under this section if any of the following apply: . . .

(6) A public servant makes a disclosure that meets the requirements of subsection (d) or (e) and is:

(A) not a member or on the staff of the governing body empowered to contract or purchase on behalf of the governmental entity, and functions and performs duties for the governmental entity unrelated to the contract or purchase;

(B) appointed by an elected public servant;

(C) employed by the governing body of a school corporation and the contract or purchase involves the employment of a dependent or the payment of fees to a dependent;

(D) elected; or

(E) a member of, or a person appointed by, the board of trustees of a state supported college or university. . . .

(d) A disclosure must:

- (1) be in writing;
- (2) describe the contract or purchase to be made by the governmental entity;
- (3) describe the pecuniary interest that the public servant has in the contract or purchase;
- (4) be affirmed under penalty of perjury;
- (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity before final action on the contract or purchase;
- (6) be filed within fifteen (15) days after final action on the contract or purchase with:
 - (A) the state board of accounts; and
 - (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."

COUNTY AUDITOR
MADISON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

APPROPRIATIONS

The records presented for audit indicated the County General fund expenditures exceeded the approved appropriations for 2013 by \$754,565.

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."



MADISON COUNTY AUDITOR'S OFFICE
ANDERSON, INDIANA

Jane Lyons, Auditor

November 3, 2014

**Response to the 2013 Audit Results and Comments for
The County Auditor and County Commissioners**

DISBURSEMENTS-GOVERNING BODY APPROVAL

1. For the "Utility Checks" : an Ordinance has been adopted by the Commissioners to pay certain "Utility Checks" claims prior to approval or Auditor will always ask for claims to have at least two Commissioners signatures.
2. Auditor and Commissioners will make sure all payroll registers have all information on them and have at least two signatures.

RECORD OF HOURS WORKED

Auditor and Commissioners will make sure Weights and Measure's Inspector has turned in the time keeping sheets for hours worked and benefit days taken.

SUPPORTING DOCUMENTATION

Auditor and Commissioners will make sure all claims for Insurance payments paid from the Highway Fund include supporting documentation of employees being paid from that fund and their coverage.

Jane Lyons, Mad Co Auditor

John Richwine, Mad Co Commissioner



MADISON COUNTY AUDITOR'S OFFICE
ANDERSON, INDIANA

Jane Lyons, Auditor

October 30, 2014

**Response to the 2013 Audit Results and Comments for
The County Auditor**

APPROPRIATIONS

New implementations for reporting PERF were put into place by INPRS in the fourth quarter of 2012. The Auditor's Office had computer problems setting this new implementations up with INPRS and by the time the problems were corrected in 2013, the fourth quarter of 2012 PERF was already deducted from the appropriation in 2013 causing a shortage in the PERF appropriation in the County General Fund.

Procedures are now put into place to check all appropriation balances every time checks are written.


Jane Lyons, Mad Co Auditor

COUNTY AUDITOR
MADISON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 28, 2014, with Jane Lyons, Auditor.

COUNTY SHERIFF
MADISON COUNTY

COUNTY SHERIFF
MADISON COUNTY
AUDIT RESULTS AND COMMENTS

CONFLICT OF INTEREST

A Major in the Sheriff's Department has a lawn care service, which performed lawn care services for the County's weapons range during 2013. The amount paid for these services during the audit period was \$2,950. A Uniform Conflict of Interest Disclosure Statement was not filed by the employee.

Indiana Code 35-44.1-1-4 states in part:

"(b) A public servant who knowingly or intentionally:

- (1) has a pecuniary interest in; or
- (2) derives a profit from;

a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Level 6 felony.

(c) It is not an offense under this section if any of the following apply: . . .

(6) A public servant makes a disclosure that meets the requirements of subsection (d) or (e) and is:

- (A) not a member or on the staff of the governing body empowered to contract or purchase on behalf of the governmental entity, and functions and performs duties for the governmental entity unrelated to the contract or purchase;
- (B) appointed by an elected public servant;
- (C) employed by the governing body of a school corporation and the contract or purchase involves the employment of a dependent or the payment of fees to a dependent;
- (D) elected; or
- (E) a member of, or a person appointed by, the board of trustees of a state supported college or university. . . .

COUNTY SHERIFF
MADISON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (d) A disclosure must:
- (1) be in writing;
 - (2) describe the contract or purchase to be made by the governmental entity;
 - (3) describe the pecuniary interest that the public servant has in the contract or purchase;
 - (4) be affirmed under penalty of perjury;
 - (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity before final action on the contract or purchase;
 - (6) be filed within fifteen (15) days after final action on the contract or purchase with:
 - (A) the state board of accounts; and
 - (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."

BANK ACCOUNT RECONCILIATIONS - INMATE TRUST

Monthly depository reconciliations of the fund balances to the bank account balances for the Inmate Trust fund were not presented for audit. Evidence provided indicated the reconciliation process may have been performed each month for the balances within the software system, but the actual reconciliations and lists of reconciling items were not retained for audit. The auditor attempted to recreate a bank reconciliation for December 31, 2013, with the information available. The reconciliation performed by the auditor included an unidentified amount of \$6,862 which indicated the bank balance was higher than the record balance. An outstanding checklist for December 31, 2013, was not provided which may have explained some or the entire unidentified amount. However, since documentation was not maintained, we were not able to determine if the bank and record balance reconciled.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

COUNTY SHERIFF
MADISON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 28, 2014, with Ron Richardson, Sheriff.

COMMUNITY JUSTICE CENTER
MADISON COUNTY

COMMUNITY JUSTICE CENTER
MADISON COUNTY
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS - COMMISSARY/TRUST

Monthly depository reconciliations of the fund balances to the bank account balances for the Community Justice Center Commissary/Trust accounts were not presented for audit. Evidence was provided that indicated the reconciliation process may have been performed each month for the balances within the software system, but the actual reconciliations and lists of reconciling items were not retained for audit. Since documentation was not maintained, we were not able to determine if the bank and record balance reconciled. Additionally, monies remaining in the "old" bank account, which are not within the software system, were not reconciled to the financial records or inmate account balances remaining in the "old" system.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

CONDITION OF RECORDS

Financial records presented for audit were incomplete and not reflective of the activity of the Community Justice Center (CJC) Commissary/Trust accounts. The records presented did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

A similar comment also appeared in prior Report B42597.

The deficiencies include:

1. The manual Ledger of Receipts, Disbursements, and Balances was maintained for the "old" accounts until August 31, 2013. The ledger only included a few entries in July and August and did not appear to include all activity during the time period. CJC did not maintain a ledger for the "old" accounts after August 31, 2013. The bank statements indicated that checks were issued after August 2013 and did not appear in the ledger. Therefore, the manual ledger did not provide an accurate balance at December 31, 2013.
2. Bank statements for March 2013 and November 2013 were not presented for audit.

COMMUNITY JUSTICE CENTER
MADISON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

3. CJC was not keeping inmate account balances up to date on the "old" software system. Refund checks were issued, but not recorded to individual inmate accounts in the "old" software system.
4. CJC was not maintaining separate accounts for Commissary and Inmate Trust accounts. Therefore, we were not able to determine how much of the "old" bank account was Commissary or how much was Inmate Trust.
5. CJC was not able to provide a report showing the Inmate Trust balances remaining in the "old" system.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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)



Community Justice Center

123 East 10th Street • Anderson, Indiana 46016 • (765) 649-7341

FAX (765) 649-7354

Email arobertscjc@sbcglobal.net

October 28, 2014

State Board of Accounts
302 West Washington Street, Rom E418
Indianapolis, Indiana 46204

To Whom It May Concern:

Following our Exit Interview, we have established new account record keeping correcting the discrepancies that were revealed. The new TurnKey software will enable us to compile the appropriate records requested.

Sincerely,

Ann Roberts

Executive Director

" OFFICAL RESPONSE "

OAR/MADISON COUNTY

COMMUNITY JUSTICE CENTER
MADISON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 28, 2014, with Ann Roberts, Director.

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COUNTY PROSECUTING ATTORNEY
MADISON COUNTY

COUNTY PROSECUTING ATTORNEY
MADISON COUNTY
AUDIT RESULT AND COMMENT

RECEIPT ISSUANCE - PRE-TRIAL DIVERSION FEES

As stated in the previous audit reports, most recently Report B42598, the Prosecuting Attorney's Office collects pre-trial diversion fees instead of requiring clients to remit these fees to the Clerk hearing the violation. Money orders made out to various referring courts for pre-trial diversion fees are collected in the Prosecuting Attorney's Office and then delivered to the referring courts. Approved or prescribed receipt forms were not issued to clients for the money orders received by the Prosecuting Attorney's Office, but were receipted by the Clerk of the referring court at a later date when the money orders were delivered to those courts. In some instances, the clients sent money orders made out to Madison County instead of to the referring court. When this happened, the Prosecuting Attorney's Office would remit the collections to the Auditor's Office to be receipted into the Pre-Trial Diversion fund. The Prosecuting Attorney's Office used an internally designed electronic receipt rather than the prescribed Form 351, General Receipt. The electronic receipts in use were not pre-numbered, did not have duplicates, were not generated by a financial software system, and were not approved by the Indiana State Board of Accounts.

Indiana Code 33-37-4-1(c)(e) states in part:

"Instead of the criminal costs fee prescribed by this section, except for the automated record keeping fee (IC 33-37-5.21), the clerk shall collect a pretrial diversion fee if an agreement between the prosecuting attorney and the accused person entered into under IC 33-39.1-8 requires payment of those fees by the accused person."

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Uniform and Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY PROSECUTING ATTORNEY
MADISON COUNTY
EXIT CONFERENCE

Rodney Cumming, County Prosecuting Attorney attended the exit conference on October 30, 2014, but refused to sign the Confidentiality Form to not divulge information discussed during the exit conference. The exit conference was ended at that time.