

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

DECATUR COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
06/05/2015

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
County Auditor:	
Federal Findings:	
Finding 2013-001 - Preparation of the Schedule of Expenditures of Federal Awards	6-7
Finding 2013-002 - Internal Controls Over Financial Transactions and Reporting.....	7-8
Finding 2013-003 - Internal Control Over Compliance Requirements That Have a Direct and Material Effect to Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	8-9
Finding 2013-004 - Internal Control Over Compliance Requirements That Have a Direct and Material Effect to Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	9-10
Corrective Action Plan	11-14
Audit Results and Comments:	
Overdrawn Cash Balances	15
Appropriations	15
County Auditor Settlement	15-16
E-911 Funds.....	16-17
Errors on Claims	17
Exit Conference	18
County Treasurer:	
Federal Finding:	
Finding 2013-002 - Internal Controls Over Financial Transactions and Reporting.....	20
Corrective Action Plan	21
Audit Results and Comments:	
County Treasurer Excise Tax	22
County Treasurer Excise Surtax and Wheel Tax.....	22-23
Exit Conference	24
Clerk of the Circuit Court:	
Federal Finding:	
Finding 2013-002 - Internal Controls Over Financial Transactions and Reporting.....	26
Corrective Action Plan	27-28
Exit Conference	29
County Probation:	
Audit Result and Comment:	
Bank Account Reconciliations.....	32
Exit Conference	33
County Prosecuting Attorney:	
Audit Result and Comment:	
Deposits	36
Exit Conference	37

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Tami D. Wenning	01-01-12 to 07-01-14
	(Vacant)	07-02-14 to 07-06-14
	Christy Smiley (Interim)	07-07-14 to 08-07-14
	Janet S. Chadwell	08-08-14 to 12-31-16
County Treasurer	Mary Vail	01-01-13 to 12-31-16
Clerk of the Circuit Court	Janet S. Chadwell	01-01-11 to 08-07-14
	Adina A. Roberts	08-08-14 to 12-31-18
County Sheriff	Gregory D. Allen	01-01-11 to 12-31-18
County Recorder	Denise Zeigler	01-01-11 to 12-31-18
President of the Board of County Commissioners	Rick J. Nobbe	01-01-13 to 12-31-13
	Jerome Buening	01-01-14 to 12-31-14
	John Richards	01-01-15 to 12-31-15
President of the County Council	Ernest J. Gauck	01-01-13 to 12-31-15



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 DECATUR COUNTY, INDIANA

This report is supplemental to our audit report of Decatur 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, incorporated within this report, was not verified for accuracy.

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

February 26, 2015

(This page intentionally left blank.)

COUNTY AUDITOR
DECATUR COUNTY

COUNTY AUDITOR
DECATUR COUNTY
FEDERAL FINDINGS

FINDING 2013-001 - PREPARATION OF 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: the schedule did not include the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii program (CFDA 14.228) which resulted in an understatement of \$831,724; the Highway Planning and Construction program (CFDA 20.205) was understated by \$114,696; the State and Community Highway Safety program (CFDA 20.600) was understated by \$639; the Occupant Protection Incentive Grants program (CFDA 20.602) was understated by \$4,361; the Drug-Free Communities Support Program Grants program (CFDA 93.276) was understated by \$12,505; the Child Support Enforcement program (CFDA 93.563) was understated by \$138,086; and the Emergency Management Performance Grants program (CFDA 97.042) was not included which resulted in an understatement of \$12,466. 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:

- (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
DECATUR COUNTY
FEDERAL FINDINGS
(Continued)

- (3) Provide the 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."

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

We noted the following deficiencies in the internal control system of the County related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. County Treasurer's Office - Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the County Treasurer's Office to reduce risks to the achievement of financial reporting objectives. The County Treasurer has not separated incompatible activities related to receipts and cash and investment balances. The person that performs bank reconcilements also collects receipts and makes the bank deposits. No other person reviews the bank reconcilements. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.
2. Clerk of the Circuit Court's Office - Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Clerk of the Circuit Court's Office to reduce risks to the achievement of financial reporting objectives. The Clerk of the Circuit Court has not separated incompatible activities related to receipts and cash and investment balances. The person that performs bank reconcilements also collects receipts and makes the bank deposits. No other person reviews the bank reconcilements. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.
3. Preparation of the County's Annual Financial Report: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatements to the County's audited financial statement and then determining how those identified risks should be managed. The County has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective internal controls over the preparation of the financial statement to prevent, or detect and correct, material misstatements, including Notes to the Financial Statement. One employee in the County Auditor's Office uploaded the County's financial activity from the County's software directly into the Gateway system, a financial reporting system established by the State of Indiana to allow governmental units to file annual financial reports. There was no review or approval of the information by another individual prior to the submission. The Annual Financial Report was used to prepare the financial statement presented in this report. Control activities should be in place to reduce the risks of errors in financial reporting.

COUNTY AUDITOR
DECATUR COUNTY
FEDERAL FINDINGS
(Continued)

4. Payroll Disbursements: The County Auditor's Office has not separated incompatible activities related to payroll and payroll related liabilities. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. The County's payroll processing was primarily handled by one employee in the County Auditor's Office. This same employee was also responsible for calculating and making all employee benefit payments. Supporting documentation for these benefit payments was retained in the payroll files; however, there was no evidence that a review of the documentation was completed by another employee. Also, payroll claims were not approved by the Board of County Commissioners.

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) (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14) (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 10) (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 13)

FINDING 2013-003 - INTERNAL CONTROL OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/State's Program and
Non-Entitlement Grants in Hawaii
CFDA Number: 14.228
Federal Award Number and Year (or Other Identifying Number): HD-011-031
Pass-Through Entity: Indiana Housing and Community Development Authority

Management of the County has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Availability, Procurement and Suspension and Debarment, and Matching, Level of Effort, Earmarking. A Grant Administrator, hired by the County, prepares the claims to be reviewed and certified by the County's Fiscal Officer and approved by the Board of County Commissioners for all expenses paid from this federal program. The County received all grant agreements, invoices, and reports for approval by the Grant Administrator. The County signed the required reports but did not monitor the compliance requirements of the major program. The County relied on the Grant Administrator to comply with the previously mentioned compliance requirements and did not review their work.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation

COUNTY AUDITOR
DECATUR COUNTY
FEDERAL FINDINGS
(Continued)

of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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 could result in the loss of federal funds to the County.

We recommended that the County's management establish controls to effectively monitor the activities of grant administrators hired by the County to ensure compliance related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

FINDING 2013-004 - INTERNAL CONTROL OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/State's Program and
Non-Entitlement Grants in Hawaii
CFDA Number: 14.228
Federal Award Number and Year (or Other Identifying Number): CF-12-124
Pass-Through Entity: Indiana Office of Community and Rural Affairs

Management of the County has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Availability, Procurement and Suspension and Debarment, and Subrecipient Monitoring. A Grant Administrator, hired by the Subrecipient, prepares the claims to be reviewed and certified by the County's fiscal officer and approved by the Board of County Commissioners for all expenses paid from this federal program. The County received all grant agreements, invoices, and reports for approval. The County signed the required reports but did not monitor the compliance requirements of the major program. The County relied on the Grant Administrator to comply with the previously mentioned compliance requirements and did not review their work.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

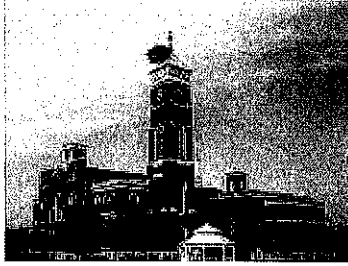
COUNTY AUDITOR
DECATUR COUNTY
FEDERAL FINDINGS
(Continued)

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 could result in the loss of federal funds to the County.

We recommended that the County's management establish controls to effectively monitor the activities of grant administrators to ensure compliance related to the grant agreement and all compliance requirements that have a direct and material effect to the program.



Janet S. Chadwell
Decatur County Auditor

150 Courthouse Square, Suite 133, Greensburg, Indiana 47240
Phone - 812-663-2570
Fax - 812-663-2242
auditor@decaturcounty.in.gov

CORRECTIVE ACTION PLAN

FINDING 2013-001- PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action: Janet S Chadwell
Contact Phone Number: (812) 663-2570

Description of Corrective Action Plan:

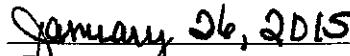
Decatur County will utilize available personnel to oversee the schedule of expenditures in all grants to address the issues brought to our attention by the State Board of Accounts.

Anticipated Completion Date: February, 2015

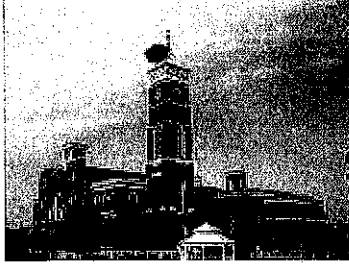


Janet S Chadwell

Decatur County Auditor



Date



Janet S. Chadwell
Decatur County Auditor

150 Courthouse Square, Suite 133, Greensburg, Indiana 47240
Phone - 812-663-2570
Fax - 812-663-2242
auditor@decaturcounty.in.gov

CORRECTIVE ACTION PLAN

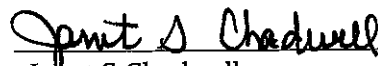
FINDING 2013-002- INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Janet S Chadwell
Contact Phone Number: (812) 663-2570

Description of Corrective Action Plan:

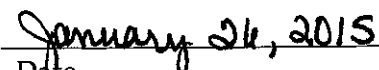
Decatur County will utilize available personnel to share the financial duties as a 'checks and balances' to address the issues brought to our attention by the State Board of Accounts.

Anticipated Completion Date: February, 2015

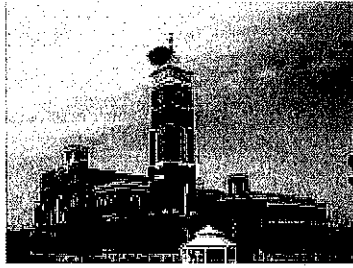


Janet S Chadwell

Decatur County Auditor



Date



Janet S. Chadwell
Decatur County Auditor

150 Courthouse Square, Suite 133, Greensburg, Indiana 47240
Phone - 812-663-2570
Fax - 812-663-2242
auditor@decaturcounty.in.gov

CORRECTIVE ACTION PLAN

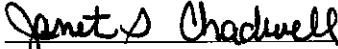
FINDING 2013-003- INTERNAL CONTROL OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII

Contact Person Responsible for Corrective Action: Janet S Chadwell
Contact Phone Number: (812) 663-2570

Description of Corrective Action Plan:

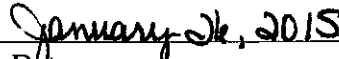
Decatur County will utilize available personnel to share the financial duties as a 'checks and balances' to address the issues brought to our attention by the State Board of Accounts.

Anticipated Completion Date: February, 2015

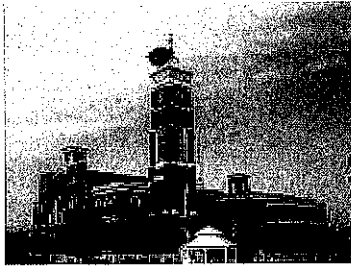


Janet S Chadwell

Decatur County Auditor



Date



Janet S. Chadwell
Decatur County Auditor

150 Courthouse Square, Suite 133, Greensburg, Indiana 47240
Phone - 812-663-2570
Fax - 812-663-2242
auditor@decaturcounty.in.gov

CORRECTIVE ACTION PLAN

FINDING 2013-004- INTERNAL CONTROL OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII

Contact Person Responsible for Corrective Action: Janet S Chadwell
Contact Phone Number: (812) 663-2570

Description of Corrective Action Plan:

Decatur County will utilize available personnel to share the financial duties as a 'checks and balances' to address the issues brought to our attention by the State Board of Accounts.

Anticipated Completion Date: February, 2015

Janet S Chadwell

Janet S Chadwell

Decatur County Auditor

January 26, 2015

Date

COUNTY AUDITOR
DECATUR COUNTY
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The financial statement presented for audit included the following funds with overdrawn cash balances at December 31, 2013:

<u>Fund</u>	<u>Amount Overdrawn</u>
E 911 Landline	\$ 116,297
Guardian Ad Lim Court	33
Special Non-Revert Health Ins	308,402
Payroll	51,635
Family Court Counselor	48,549

In our review of the Payroll fund, we noted that the balance was overdrawn in part due to a payment to the Internal Revenue Service on January 30, 2012, in the amount of \$20,629. A notation in the ledger indicated the payment was for June 2011 late fees. No supporting documentation was provided by the County to support the payment.

The cash 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)

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 County Auditors of Indiana, Chapter 14)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

APPROPRIATIONS

The records presented for audit indicated the Cumulative Bridge fund expenditures exceeded the budgeted appropriations by \$236,365.

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 SETTLEMENT

On December 31, 2013, the balance of the County's County Adjusted Gross Income Tax (CAGIT) distribution fund maintained in fund 7311 on the County Auditor's funds ledger was \$91,737 and the balance of the County's Economic Development Income Tax (EDIT) distribution fund maintained in fund 7312 on the

COUNTY AUDITOR
DECATUR COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

County Auditor's funds ledger was \$134,648. Both of these funds are used to receipt these two types of income taxes and then distribute them out to the various taxing units in the County. The balance at December 31, 2013, of both funds should have been \$0.

Indiana Code 6-3.5-7-16.5 states:

"(a) The county auditor shall timely distribute the certified distribution received under section 12 of this chapter to each city and town that is a recipient of a certified distribution.

(b) A distribution is considered to be timely made if the distribution is made not later than ten (10) working days after the date the county treasurer receives the county's certified distribution under section 12 of this chapter."

Indiana Code 6-3.5-1.1-11.5 states:

"(a) The county auditor shall timely distribute the part of the certified distribution received under section 10 of this chapter that constitutes property tax replacement credits to each civil taxing unit and school corporation that is a recipient of property tax replacement credits as provided by sections 12, 13, and 14 of this chapter.

(b) The county auditor shall timely distribute the part of a certified distribution received under section 10 of this chapter that constitutes certified shares to each civil taxing unit that is a recipient of certified shares as provided by section 15 of this chapter.

(c) A distribution is considered to be timely made if the distribution is made not later than ten (10) working days after the date the county treasurer receives the county's certified distribution under section 10 of this chapter."

Uniform Chart of Accounts instructions required by County Bulletin 376 page 3, as amended by County Bulletin 381 page 11, Q&A 5 states in part:

"Remittance Funds - State Auditor Remittances are funds used to hold collections and refunds that are to be deposited with the State Auditor. IDOR Remittances are funds used to collect, hold and remit monies to the Indiana Department of Revenue (IDOR). Local Government Remittances are funds used to account for collections that will be remitted to other local governments within the county."

E-911 FUNDS

The County did not close out the E-911 Landline and E-911 Wireless funds in 2013. A new fund to account for all 911 fees had not been created as of December 31, 2013.

Indiana Code 36-8-16.7-38(f) states:

"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 (inset name of 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."

COUNTY AUDITOR
DECATUR COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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." Public Law 132-2012, Section 23 (Effective on passages; expired January 1, 2013)

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." Public Law 132-2012, Section 24 (Effective on passages; expired January 1, 2013)

ERRORS ON CLAIMS

A sample of claims tested identified the following deficiencies with an error rate greater than 10 percent:

1. Of the claims tested, 10 percent did not have Board approval.
2. Of the claims tested, 13 percent did not have proper approval by the Fiscal Officer.

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."

COUNTY AUDITOR
DECATUR COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 26, 2015, with Janet S. Chadwell, County Auditor; Tami D. Wenning, former County Auditor; and Ernest J. Gauck, President of the County Council.

COUNTY TREASURER
DECATUR COUNTY

COUNTY TREASURER
DECATUR COUNTY
FEDERAL FINDING

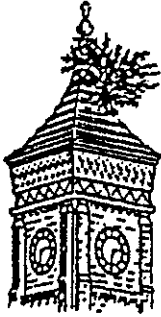
FINDING 2013-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted the following deficiencies in the internal control system of the County related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. County Treasurer's Office - Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the County Treasurer's Office to reduce risks to the achievement of financial reporting objectives. The County Treasurer has not separated incompatible activities related to receipts and cash and investment balances. The person that performs bank reconcilements also collects receipts and makes the bank deposits. No other person reviews the bank reconcilements. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.
2. Clerk of the Circuit Court's Office - Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Clerk of the Circuit Court's Office to reduce risks to the achievement of financial reporting objectives. The Clerk of the Circuit Court has not separated incompatible activities related to receipts and cash and investment balances. The person that performs bank reconcilements also collects receipts and makes the bank deposits. No other person reviews the bank reconcilements. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.
3. Preparation of the County's Annual Financial Report: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatements to the County's audited financial statement and then determining how those identified risks should be managed. The County has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective internal controls over the preparation of the financial statement to prevent, or detect and correct, material misstatements, including Notes to the Financial Statement. One employee in the County Auditor's Office uploaded the County's financial activity from the County's software directly into the Gateway system, a financial reporting system established by the State of Indiana to allow governmental units to file annual financial reports. There was no review or approval of the information by another individual prior to the submission. The Annual Financial Report was used to prepare the financial statement presented in this report. Control activities should be in place to reduce the risks of errors in financial reporting.
4. Payroll Disbursements: The County Auditor's Office has not separated incompatible activities related to payroll and payroll related liabilities. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. The County's payroll processing was primarily handled by one employee in the County Auditor's Office. This same employee was also responsible for calculating and making all employee benefit payments. Supporting documentation for these benefit payments was retained in the payroll files; however, there was no evidence that a review of the documentation was completed by another employee. Also, payroll claims were not approved by the Board of County Commissioners.

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) (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14) (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 10) (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 13)



Decatur County Treasurer
Mary Vail
150 Courthouse Square Suite 138
Greensburg In 47240
(812)-663-4190 Telephone
(812)-222-1807 Fax

Thursday January 22,2015

Attention: Cindy Slaven
Field Examiner
Indiana State Board of Accounts

Finding 2013-002 Internal Controls over Financial Transactions and Reporting.

Reference: Treasurer 2013 Corrective Action Plan

I have no plans to change anything at this time.

The County Council only allows two deputies, therefore we segregate
the duties the best we can.

I accept the risk.

A handwritten signature in cursive script that reads "Mary Vail". The signature is written in black ink and is positioned above the printed name and title.

Mary Vail
Decatur County Treasurer

COUNTY TREASURER
DECATUR COUNTY
AUDIT RESULTS AND COMMENTS

COUNTY TREASURER EXCISE TAX

Excise tax collections certified on the 49TC for the June settlement did not equal the amount of excise tax on the County Treasurer's Cash Book at the time of certification. The amount of excise certified on the 49TC for the June 2013 settlement was \$1,934,996. The amount per the County Treasurer's Cash Book on the date of certification, June 17, 2013, was \$2,096,070. The reason for the difference in the amount of \$161,074 could not be determined.

Postings to the County Treasurer's Cash Book for excise tax were based on actual amounts deposited to the County's bank account by the Indiana Bureau of Motor Vehicles (BMV) rather than deposit reports provided to the County from the BMV.

At the time of each semiannual tax settlement the treasurer shall report such tax collections, together with the aircraft license excise tax and auto rental excise tax collections discussed in this section, on County Form 49TC, County Treasurer's Certificate of Tax Collections, and the total shown by the county auditor's records shall be verified with the treasurer's certificate before distribution is made. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 6)

Indiana Code 5-13-5-1(a) states:

"Every public officer who receives or distributes public funds shall:

- (1) keep a cashbook into which the public officer shall enter daily, by item, all receipts of public funds; and
- (2) balance the cashbook daily to show funds on hand at the close of each day."

COUNTY TREASURER EXCISE SURTAX AND WHEEL TAX

Surtax and wheel tax was posted to the County Treasurer's Cash Book on the Vehicle License Excise Tax line item. Also, it was noted that surtax and wheel tax was not being posted monthly to the County Auditor's funds ledger. January through October 2013 surtax and wheel tax was transferred from the County Treasurer's Cash Book and quietused into the funds ledger on December 11, 2013.

COUNTY TREASURER
DECATUR COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 6-3.5-4-13 states in part:

"(a) In the case of a county that does not contain a consolidated city of the first class, the county treasurer shall deposit the surtax revenues in a fund to be known as the '_____ County Surtax Fund'.

(b) Before the twentieth day of each month, the county auditor shall allocate the money deposited in the county surtax fund during that month among the county and the cities and the towns in the county. The county auditor shall allocate the money to counties, cities, and towns under IC 8-14-2-4(c)(1) through IC 8-14-2-4(c)(3).

(c) Before the twenty-fifth day of each month, the county treasurer shall distribute to the county and the cities and towns in the county the money deposited in the county surtax fund during that month. The county treasurer shall base the distribution on allocations made by the county auditor for that month under subsection (b)."

Indiana Code 6-3.5-5-15 states in part:

"(a) In the case of a county that does not contain a consolidated city, the county treasurer shall deposit the wheel tax revenues in a fund to be known as the 'County Wheel Tax Fund'.

(b) Before the twentieth day of each month, the county auditor shall allocate the money deposited in the county wheel tax fund during that month among the county and the cities and the towns in the county. The county auditor shall allocate the money to counties, cities, and towns under IC 8-14-2-4(c)(1) through IC 8-14-2-4(c)(3).

(c) Before the twenty-fifth day of each month, the county treasurer shall distribute to the county and the cities and towns in the county the money deposited in the county wheel tax fund during that month. The county treasurer shall base the distribution on allocations made by the county auditor for that month under subsection (b)."

COUNTY TREASURER
DECATUR COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 26, 2015, with Mary Vail, County Treasurer; Betsy Wiley, Deputy County Treasurer; and Ernest J. Gauck, President of the County Council.

CLERK OF THE CIRCUIT COURT
DECATUR COUNTY

CLERK OF THE CIRCUIT COURT
DECATUR COUNTY
FEDERAL FINDING

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

We noted the following deficiencies in the internal control system of the County related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. County Treasurer's Office - Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the County Treasurer's Office to reduce risks to the achievement of financial reporting objectives. The County Treasurer has not separated incompatible activities related to receipts and cash and investment balances. The person that performs bank reconcilements also collects receipts and makes the bank deposits. No other person reviews the bank reconcilements. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.
2. Clerk of the Circuit Court's Office - Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Clerk of the Circuit Court's Office to reduce risks to the achievement of financial reporting objectives. The Clerk of the Circuit Court has not separated incompatible activities related to receipts and cash and investment balances. The person that performs bank reconcilements also collects receipts and makes the bank deposits. No other person reviews the bank reconcilements. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.
3. Preparation of the County's Annual Financial Report: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatements to the County's audited financial statement and then determining how those identified risks should be managed. The County has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective internal controls over the preparation of the financial statement to prevent, or detect and correct, material misstatements, including Notes to the Financial Statement. One employee in the County Auditor's Office uploaded the County's financial activity from the County's software directly into the Gateway system, a financial reporting system established by the State of Indiana to allow governmental units to file annual financial reports. There was no review or approval of the information by another individual prior to the submission. The Annual Financial Report was used to prepare the financial statement presented in this report. Control activities should be in place to reduce the risks of errors in financial reporting.
4. Payroll Disbursements: The County Auditor's Office has not separated incompatible activities related to payroll and payroll related liabilities. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. The County's payroll processing was primarily handled by one employee in the County Auditor's Office. This same employee was also responsible for calculating and making all employee benefit payments. Supporting documentation for these benefit payments was retained in the payroll files; however, there was no evidence that a review of the documentation was completed by another employee. Also, payroll claims were not approved by the Board of County Commissioners.

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) (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14) (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 10) (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 13)



Adina A. Roberts, Clerk

Decatur Circuit and Superior Courts

150 Courthouse Square, Suite 244, Greensburg, Indiana 47240

Phone - 812-663-8223 & 812-663-8642

Fax - 812-662-6627

clerk@decaturcounty.in.gov

CORRECTIVE ACTION PLAN

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

Contact Person Responsible for Corrective Action: Adina Roberts
Contact Phone Number: (812) 663-8223

Description of Corrective Action Plan:

We currently rotate duties, counter, bank deposits, daily balancing, daily disbursement, etc...

Please see the enclosed attachment.

Monthly reconciliation and reporting will be completed by the book keeper (Nancy) and placing her signature at the end of the statement when she completes it. A second person (Karen) will be reviewing the reconciliation and reports monthly and then placing her signature at the bottom of the reports as reviewed.

I will then turn my reports to the County Treasurer/County Auditor for receipting/depositing.

Anticipated Completion Date: 03-01-2015

Adina A. Roberts
(Signature)

Adina A. Roberts
(Title)

2-26-15
(Date)

TYPICAL WEEK	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
Daily					
DEPOSIT MADE FROM PREVIOUS DAY.	Adina or Faith	Nancy or Karen	Annie or Somer	Anna or Janet	Adina or Karen
DAILY COUNTER	Adina or Faith	Nancy or Karen	Annie or Somer	Anna or Janet	Faith or Somer
GARNISHMENT INPUT	Nancy	Somer	Nancy	Nancy	Nancy
DAILY DRAWER BALANCING	Annie	Annie	Anna	Annie	Annie
PRINTING OF DISBURSMENTS FROM PREVIOUS DAY	Anna	Anna	Adina	Adina	Adina
Monthly					
MONTHLY RECONCILIATION	Nancy				
VERIFICATION OF RECONCILIATION	Karen				
MONTHLY CLERK'S REPORTING	Nancy				
VERIFICATION OF MONTHLY	Karen				
DELIVERY TO AUDITOR/TREASURER	Adina				

CLERK OF THE CIRCUIT COURT
DECATUR COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 26, 2015, with Adina A. Roberts, Clerk of the Circuit Court; Nancy Mirick, Bookkeeper; Ernest J. Gauck, President of the County Council; and Janet S. Chadwell, County Auditor and former Clerk of the Circuit Court.

(This page intentionally left blank.)

COUNTY PROBATION
DECATUR COUNTY

COUNTY PROBATION
DECATUR COUNTY
AUDIT RESULT AND COMMENT

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not completed for the year 2013.

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 PROBATION
DECATUR COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 26, 2015, with Deborah S. Schilling, Chief Juvenile Probation Officer, and Ernest J. Gauck, President of the County Council.

(This page intentionally left blank.)

COUNTY PROSECUTING ATTORNEY
DECATUR COUNTY

COUNTY PROSECUTING ATTORNEY
DECATUR COUNTY
AUDIT RESULT AND COMMENT

DEPOSITS

Receipts were deposited later than the next business day in 35 percent of the receipts tested. As many as 14 days elapsed between the date of receipt and date of deposit.

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

COUNTY PROSECUTING ATTORNEY
DECATUR COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 26, 2015, with Nathan W. Harter, IV, County Prosecutor; James B. Rosenberry, former County Prosecutor; and Ernest J. Gauck, President of the County Council.