

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

GIBSON COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
01/26/2016

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
County Auditor:	
Federal Findings:	
Finding 2014-001 - Internal Controls and Compliance Over Cash Disbursements - County Auditor	6-7
Finding 2014-003 - Internal Controls and Compliance Over Financial Transactions - County Auditor	7-8
Corrective Action Plans	9-10
Audit Results and Comments:	
Advance Payments	11
Penalties, Interest, and Other Charges.....	11
Supporting Documentation	11-12
Exit Conference	13
Clerk of the Circuit Court:	
Federal Finding:	
Finding 2014-002 - Internal Controls Over Financial Transactions and Reporting - Clerk of the Circuit Court	16
Corrective Action Plan	17
Exit Conference	18
Board of County Commissioners:	
Audit Result and Comment:	
Credit Cards	20
Exit Conference	21
County Emergency Management Agency:	
Audit Result and Comment:	
Supporting Documentation	24
Exit Conference	25
County Emergency Medical Services:	
Audit Result and Comment:	
Bank Account Reconciliations.....	28
Exit Conference	29
County Treasurer:	
Federal Finding:	
Finding 2014-004 - Internal Controls and Compliance Over Cash Book - County Treasurer.....	32
Corrective Action Plan	33-37
Official Response.....	38-39
Exit Conference	40

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Sherri Smith	01-01-13 to 12-31-16
County Treasurer	Mary Key	01-01-11 to 12-31-18
Clerk of the Circuit Court	Becky Woodburn	01-01-11 to 12-31-14
	James R. Morrow	01-01-15 to 12-31-18
County Sheriff	George Ballard	01-01-11 to 12-31-14
	Timothy Bottoms	01-01-15 to 12-31-18
County Recorder	Debbie Wethington	01-01-11 to 12-31-14
	Tonya Thompson	01-01-15 to 12-31-18
President of the Board of County Commissioners	Alan Douglas	01-01-14 to 12-31-14
	Stephen E. Bottoms	01-01-15 to 12-31-15
President of the County Council	Jeremy Overton	01-01-14 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 GIBSON COUNTY, INDIANA

This report is supplemental to our audit report of Gibson County (County), for the period from January 1, 2014 to December 31, 2014. 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, 2015

(This page intentionally left blank.)

COUNTY AUDITOR
GIBSON COUNTY

COUNTY AUDITOR
GIBSON COUNTY
FEDERAL FINDINGS

***FINDING 2014-001 - INTERNAL CONTROLS AND COMPLIANCE
OVER CASH DISBURSEMENTS - COUNTY AUDITOR***

We noted deficiencies in the internal control system of the County related to cash disbursements. The County has established the control procedures listed below.

The County Auditor reviews the claim for the following:

1. That it is properly verified and supported by an invoice and verification of receipt of goods and services;
2. That prices charged are in accordance with contracts awarded, when applicable;
3. That statutory authority exists for payment of the claim;
4. That the correctness of the extension on each item is verified to ensure the total is correct;
5. That approval by the department head is verified;
6. That allowance by the Board of County Commissioners is verified;
7. That sufficient funds and appropriations are available to make the payment; and
8. That it has not been previously paid.

However, during the audit, these controls were deemed to not be properly implemented because all claims authorized for payment in advance were not subsequently added to the claims docket by the County Auditor; therefore, no approval was given by the Board of County Commissioners. Also, numerous claims were paid without adequate supporting documentation attached. The failure to properly implement these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

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)

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:

COUNTY AUDITOR
GIBSON COUNTY
FEDERAL FINDINGS
(Continued)

- (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."

***FINDING 2014-003 - INTERNAL CONTROLS AND COMPLIANCE
OVER FINANCIAL TRANSACTIONS - COUNTY AUDITOR***

The County did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the financial statement. The County should have proper controls in place over the preparation of the financial statement to ensure accurate reporting of all funds included in the financial statement. Without a proper system of internal controls in place that operates effectively, material misstatements of the financial statement could remain undetected.

During the audit of the financial statement, we noted that the four funds relating to the Redevelopment Commission were not included on the ledger nor were they added to the financial statement resulting in the following understatements: receipts by \$26,247,559, disbursements by \$18,506,517, and ending cash by \$7,741,021. Audit adjustments were proposed, accepted by the County Auditor, and made to the financial statement 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)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

COUNTY AUDITOR
GIBSON COUNTY
FEDERAL FINDINGS
(Continued)

Indiana Code 36-7-14-8(b) states in part:

"The fiscal officer of the unit establishing a redevelopment commission is the treasurer of the redevelopment commission. Notwithstanding any other provision of this chapter, the treasurer has charge over and is responsible for the administration, investment, and disbursement of all funds and accounts of the redevelopment commission in accordance with the requirements of state laws that apply to other funds and accounts administered by the fiscal officer."



AUDITOR OF GIBSON COUNTY

Telephone 812.385.4927
Fax 812.386.1173
www.gibsoncounty.gov

CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for Corrective Action: Sherri Smith
Contact Phone Number: 812.385.4927

Description of Corrective Action Plan:

Effective immediately, Gibson County will include all "payment in advance" claims and prepare a claims docket as required for the Commissioners to review and approve at their next scheduled meeting.

Effective immediately, Gibson County will require that all claims include adequate supporting documentation. If documentation is not provided, the Auditor sends an email to the submitter for documentation and explanation. It is the submitter's responsibility to provide this documentation for the claim. If submitter is unable to provide the documentation, then the Auditor will email the Commissioners and they will approve (2 of 3) the claim separately in an open meeting; or the Commissioners (3) will reply to the email with their approval (minimum 2 of 3) for the Auditor to pay the claim. Their email responses or a copy of the meeting minutes will be attached to the claim.

Anticipated Completion Date: 10/29/15

Sherri Smith
(Signature)

Auditor
(Title)

10-29-15
(Date)



AUDITOR OF GIBSON COUNTY

Telephone 812.385.4927
Fax 812.386.1173
www.gibsoncounty.gov

CORRECTIVE ACTION PLAN

FINDING 2014-003

Contact Person Responsible for Corrective Action: Sherri Smith
Contact Phone Number: 812.385.4927

Description of Corrective Action Plan:

Effective immediately, Gibson County will have a proper system of internal controls in place to prevent, detect and correct errors on the Financial Statement. The Auditor understands her role in the preparation and will have proper controls in place with regard to the Financial Statement to ensure accurate reporting of all funds included on the financial statement.

Anticipated Completion Date: 10/29/15

(Signature)

Auditor

(Title)

10-29-15

(Date)

COUNTY AUDITOR
GIBSON COUNTY
AUDIT RESULTS AND COMMENTS

ADVANCE PAYMENTS

All salaried personnel, except for elected officials, were paid in advance on December 26, 2014, for regular time worked, leave time, and/or holiday time for December 29, 2014 through December 31, 2014.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

PENALTIES, INTEREST, AND OTHER CHARGES

The County paid penalties, interest, and other charges to Wex Bank in the amount of \$499.23 because the County did not remit payments on a timely basis.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

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)

SUPPORTING DOCUMENTATION

Of the 30 credit card claims tested, 11 of the claims were certified by the County Auditor for payment without a credit card statement attached.

Of the 68 transactions tested for the Emergency Management Agency (EMA) credit card purchases, we noted the following deficiencies on claims certified by the County Auditor for payment:

1. Eight transactions did not have original receipts attached. Six of the transactions were marked as personal on the credit card statement and the employee wrote a check directly to the credit card company. However, due to the lack of documentation, we were not able to determine the purpose of any of the eight transactions.
2. Eleven transactions only had a credit card signature receipt attached which did not provide any itemization to determine what was purchased.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.

COUNTY AUDITOR
GIBSON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

(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 16)

COUNTY AUDITOR
GIBSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 29, 2015, with Sherri Smith, County Auditor; Stephen E. Bottoms, President of the Board of County Commissioners; and Jeremy Overton, President of the County Council.

(This page intentionally left blank.)

CLERK OF THE CIRCUIT COURT
GIBSON COUNTY

CLERK OF THE CIRCUIT COURT
GIBSON COUNTY
FEDERAL FINDING

***FINDING 2014-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS
AND REPORTING - CLERK OF THE CIRCUIT COURT***

We noted several deficiencies in the internal control system of the Clerk of the Circuit Court related to financial transactions and reporting.

1. The Clerk of the Circuit Court did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Supplemental Annual Financial Report (Annual Report). The Clerk of the Circuit Court's Annual Report is provided for inclusion in the County's Gateway Annual Financial Report, which is used to compile the financial statement. The Clerk of the Circuit Court should have proper controls in place over the preparation of the Annual Report to ensure accurate reporting of all funds included in the report. Without a proper system of internal control in place that operates effectively, the Clerk of the Circuit Court's Annual Report could have undetected errors, which could cause material misstatements to remain undetected in the financial statement.
2. During the audit of the Clerk of the Circuit Court, we determined controls over receipts were properly designed; however, there was not sufficient documentation to test the effectiveness of the controls. The Bookkeeper reviews the collections made by the Clerk of the Circuit Court Deputies prior to making daily deposits; however, there is no documentation to show it has been reviewed. The Bookkeeper reconciles the bank statements monthly and prepares the monthly of the Clerk of the Circuit Court's report, which is reviewed by the Clerk of the Circuit Court. There was not documentation to support this review process.
3. The Clerk of the Circuit Court has not separated incompatible activities related to disbursements. The Bookkeeper for the Clerk of the Circuit Court is the employee who issues all checks. There is no review or approval of the checks that are issued. The Bookkeeper is also the employee who reconciles the bank account. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

An evaluation of the Clerk of the Circuit Court's system of internal control has not been conducted. The failure to monitor the internal control system places the Clerk of the Circuit Court at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Effective internal controls over financial reporting require the Clerk of the Circuit Court to monitor and assess the quality of the system of internal control.

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 Clerks of the Circuit Courts of Indiana, Chapter 13)



Jim Morrow

Clerk of Gibson County Circuit & Superior Courts

PO Box 630, 101 N Main St, Princeton, IN 47670

Clerk's Office: (812) 386-6474 | Voter Registration Office: (812) 385-2541

Child Support Office: (812) 386-8401 | Fax: (812) 385-5025

CORRECTIVE ACTION PLAN

FINDING 2014-002

Contact Person Responsible for Corrective Action: **Jim Morrow, Gibson Circuit Court Clerk**

Contact Phone Number: **812-386-6474**

Description of Corrective Action Plan:

1) Effective immediately, the Clerk will closely monitor the preparation of the Supplemental Annual Financial Report by the Clerk's bookkeeper. Upon completion of the report the Clerk will closely examine it looking for any material misstatements, errors, mistakes or irregularities. When the Clerk is satisfied that the report is correct and without error, the Clerk will sign and date the report before it is released to the Auditor.

2) Effective immediately, prior to depositing daily collections the Clerk will review daily collections and approve when satisfied they are correct and without error by initialing and dating the daily Receipt Journal. Monthly reconciliation of bank statements will be closely examined by the Clerk. When the Clerk is satisfied that the reconciliation is correct and without error, the Clerk will initial and date the reconciliation. When the Clerk is satisfied that the monthly Clerk's Report is correct and without error, the Clerk will initial and date the report before it is released to the Auditor.


3) Effective immediately, upon completion of the Daily Cash Balance Report and the Check Register, the Clerk will closely examine both reports looking for any material misstatements, errors, mistakes or irregularities. When the Clerk is satisfied that the reports are correct and without error, the Clerk will initial and date the reports.

The Clerk will also study Chapter 14 of the Manual for Clerks of the Circuit Courts to verify all guidelines are implemented and kept as policy of the Clerk's Office.

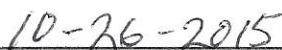
Anticipated Implementation Date: **10/01/2015**



(Signature)



(Title)



(Date)

CLERK OF THE CIRCUIT COURT
GIBSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 29, 2015, with James R. Morrow, Clerk of the Circuit Court; Stephen E. Bottoms, President of the Board of County Commissioners; and Jeremy Overton, President of the County Council.

BOARD OF COUNTY COMMISSIONERS
GIBSON COUNTY

BOARD OF COUNTY COMMISSIONERS
GIBSON COUNTY
AUDIT RESULT AND COMMENT

CREDIT CARDS

The following deficiencies were noted regarding the use of credit cards:

1. The County employees were not following the approved credit card policy which specifies a credit card limit of \$2,500. Several employees were using credit cards with limits of \$5,000, \$6,000, and \$23,400.
2. It was also noted that County employees were using credit cards that were not authorized or designated by County officials.
3. The Credit Card policy states that cards should only be used for travel and supplies expenses. It was noted that some credit card charges were for items not covered in the credit card policy such as vehicle detailing, membership dues, camcorder, television, clothing, association memberships, and repairs of vehicles.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

BOARD OF COUNTY COMMISSIONERS
GIBSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 29, 2015, with Stephen E. Bottoms, President of the Board of County Commissioners, and Jeremy Overton, President of County Council.

(This page intentionally left blank.)

COUNTY EMERGENCY MANAGEMENT AGENCY
GIBSON COUNTY

COUNTY EMERGENCY MANAGEMENT AGENCY
GIBSON COUNTY
AUDIT RESULT AND COMMENT

SUPPORTING DOCUMENTATION

Of the 68 transactions tested, we noted the following deficiencies on claims submitted for payment for EMA credit card purchases:

1. Eight transactions did not have original receipts attached. Six of the transactions were marked as personal on the credit card statement and the employee wrote a check directly to the credit card company. However, due to the lack of documentation, we were not able to determine the purpose of any of the eight transactions.
2. Eleven transactions only had a credit card signature receipt attached which did not provide any itemization to determine what was purchased.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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)

COUNTY EMERGENCY MANAGEMENT AGENCY
GIBSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 29, 2015, with Terry Hedges, Director of Emergency Management Agency; Stephen E. Bottoms, President of the Board of County Commissioners; and Jeremy Overton, President of County Council.

(This page intentionally left blank.)

COUNTY EMERGENCY MEDICAL SERVICES
GIBSON COUNTY

COUNTY EMERGENCY MEDICAL SERVICES
GIBSON COUNTY
AUDIT RESULT AND COMMENT

BANK ACCOUNT RECONCILIATIONS

As stated in previous audit reports, depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations contained errors and did not balance.

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 EMERGENCY MEDICAL SERVICES
GIBSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 29, 2015, with Jim Allen, Director of Emergency Medical Services; Stephen E. Bottoms, President of the Board of County Commissioners; and Jeremy Overton, President of County Council.

(This page intentionally left blank.)

COUNTY TREASURER
GIBSON COUNTY

COUNTY TREASURER
GIBSON COUNTY
FEDERAL FINDING

***FINDING 2014-004 - INTERNAL CONTROLS AND COMPLIANCE
OVER CASH BOOK - COUNTY TREASURER***

The County Treasurer did not have a proper system of internal controls in place to ensure all funds within bank accounts are included on the Cash Book. The County Treasurer should have proper controls in place over the Cash Book to ensure accurate reporting of all funds. Without a proper system of internal control in place that operates effectively, material misstatements on the Cash Book could remain undetected.

During the audit it was noted that the funds within the bank accounts of the Redevelopment Commission and Payroll Tax Clearing were not included on the Cash Book.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 10)

Indiana Code 36-7-14-8(b) states in part:

"The fiscal officer of the unit establishing a redevelopment commission is the treasurer of the redevelopment commission. Notwithstanding any other provision of this chapter, the treasurer has charge over and is responsible for the administration, investment, and disbursement of all funds and accounts of the redevelopment commission in accordance with the requirements of state laws that apply to other funds and accounts administered by the fiscal officer."

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."

Treasurer of Gibson County

Mary B. Key
101 N. Main Street
Princeton, IN 47670
812-385-2540
Fax 812-386-6520

CORRECTIVE ACTION PLAN

FINDING 2014-004.

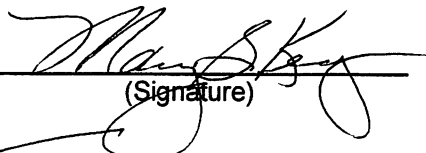
Contact Person Responsible for Corrective Action: Mary B. Key, Treasurer
Contact Phone Number: 812-385-2540

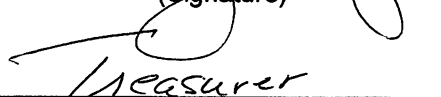
Description of Corrective Action Plan:

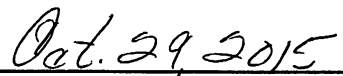
Payroll tax accounts will be corrected and on the cash book by the first of November including interest. The method of transfer from one bank to another without issuance of check (previous method) to keep both sides of the cash book in balance has been addressed. It has been decided to use ACH method.

We are in the process of finding if the office has the ability to add the Redevelopment accounts to the cash book as per the new law. With the help of Lori Rogers from the State Board of Accounts, Umbaugh, and Ice Miller, it is being discussed as to whether the bond documentation will allow the money to be administered by the County Auditor and Treasurer. *See attachment

Anticipated Completion Date: Payroll Tax accounts: November, 2015
Redevelopment: November, 2015



(Signature)


(Title)


(Date)

MEMORANDUM

TO: **The Honorable Sherri Smith, County Auditor**
 The Honorable Mary Key, County Treasurer
 The Honorable Steve Bottoms, County Commissioner
 Sandy Greubel, Deputy County Treasurer
 Phil Young, Gibson County Redevelopment Commission
 James McDonald, Esq., County Attorney

FROM: **Ice Miller LLP (Buddy Downs and Karen Arland)**

DATE: **October 28, 2015**

RE: **Gibson County, Indiana**
 Accounting Procedures for Gibson County Redevelopment Commission
 Allocation Funds

The purpose of this memorandum is to provide officials of Gibson County (“County”) with information regarding the accounting procedures applicable to the allocation funds of the Gibson County Redevelopment Commission (“Commission”). This includes a review of the applicable statutes as well as the applicable legal documents to which either the County or the Commission is a party, and which are binding upon the parties.

Applicable Statutes

Before January 1, 2016, IC 36-7-14-8 provides in part:

Sec. 8... (b) The fiscal officer of the unit establishing a redevelopment commission is the treasurer of the redevelopment commission. Notwithstanding any other provision of this chapter, the treasurer has charge over and is responsible for the administration, investment, and disbursement of all funds and accounts of the redevelopment commission in accordance with the requirements of state laws that apply to other funds and accounts administered by the fiscal officer. The treasurer shall report annually to the fiscal body of the unit before July 1.

IC 36-7-14-8(b). Effective January 1, 2016, IC 36-7-14-8 contains two modifications. The first is to change the date of the report from July 1 to April 1. The second modification is to reiterate the Commission’s authority to approve claims for payment from its funds:

Sec. 8... (b) The fiscal officer of the unit establishing a redevelopment commission is the treasurer of the redevelopment commission. Notwithstanding any other provision of this chapter, but subject to subsection (c), the treasurer has charge over and is responsible for the administration, investment, and disbursement of all funds and accounts of the redevelopment commission in accordance with the requirements of state laws that apply to other funds and accounts administered by the fiscal officer. The treasurer shall report annually to the redevelopment commission before April 1.

(c) The treasurer of the redevelopment commission may disburse funds of the redevelopment commission only after the redevelopment commission allows and

approves the disbursement. However, the redevelopment commission may, by rule or resolution, authorize the treasurer to make certain types of disbursements before the redevelopment commission's allowance and approval at its next regular meeting.

IC 36-7-14-8. Subsection (c) reiterates language that has existed since 1981 (in its current form) as IC 36-7-14-29, and prior to 1981 as IC 18-7-7.1-27:

Sec. 29. (a) All payments from any of the funds established by this chapter shall be made by warrants drawn by the proper officers of the unit upon vouchers of the redevelopment commission signed by the president or vice president and the secretary or executive secretary.

IC 36-7-14-29. There are also statutes expressly authorizing the Commission to secure its revenue bonds, including tax increment revenue bonds, with a trust indenture.

Sec. 25.1... (o) If bonds are issued under this chapter that are payable solely or in part from revenues to the redevelopment commission from a project or projects, the redevelopment commission may adopt a resolution or trust indenture or enter into covenants as is customary in the issuance of revenue bonds. The resolution or trust indenture may pledge or assign the revenues from the project or projects, but may not convey or mortgage any project or parts of a project. The resolution or trust indenture may also contain any provisions for protecting and enforcing the rights and remedies of the bond owners as may be reasonable and proper and not in violation of law, including covenants setting forth the duties of the redevelopment commission.

IC 36-7-14-25.1(o).

Sec. 28. (a) The fiscal body of a unit issuing bonds under this chapter may secure them by a trust indenture between the unit and a corporate trustee. The corporate trustee may be any trust company, national bank, or state bank that is in Indiana and has trust powers.

IC 36-7-12-28.

Applicable Documents

The Commission has established two allocation areas. The first area, the Patoka/Union Township Economic Development Area and Allocation Area was originally established in 1995 ("Toyota Area"). Tax increment revenue from the Toyota Area ("Toyota TIF") is currently pledged to pay debt service to two financings. Pursuant to a bond resolution adopted in 2007 ("Bond Resolution"), the Commission issued its Redevelopment Tax Increment Revenue Refunding Bonds of 2007 ("2007 Bonds"), granting all of the Toyota TIF and investment earnings in trust with Old National Bank as Trustee, Registrar and Paying Agent ("Trustee"). Section 11 of the Bond Resolution provides that the Toyota TIF, upon receipt by the County, is to be immediately transferred to the Trustee for deposit first in the Allocation Fund, which consisted of the 2007 Bond Principal and Interest Account, and then, after making debt service payments, the remaining Toyota TIF was to be deposited in the General Account of the Allocation Fund. In 2012 the County issued economic development revenue bonds ("2012 Bonds"), secured by a Trust Indenture with Old National Trust Company as Trustee, to which the Commission pledged Toyota TIF on a parity with the 2007 Bonds.

Section 4.2 of Article IV of Trust Indenture for the 2012 Bonds contains the requirements for the deposit of the Toyota TIF and the allocation fund with the Trustee. The Trust Indenture for the 2012 Bonds continued the flow of funds from the 2007 bond resolution, the County, immediately upon receipt of the Toyota TIF, transfers it to the Trustee, who is required to deposit the Toyota TIF to the Allocation Fund for deposit on a pro rata basis to the 2007 Bond Principal and Interest Account and the 2012 Bond Principal and Interest Account and after making those deposits, the remaining Toyota TIF is to be deposited in the General Account. Money in the General Account may be used for any purpose authorized under IC 36-7-14 and under the bond resolution and trust indenture. The Commission and the County have approved additional projects funded on a “pay-as-you-go” basis from the General Account

The second allocation area, the Owensville North Economic Development Area and Allocation Area (“Owensville North Area”), was established in 2012. Tax increment revenue from the Owensville North Area (“Owensville North TIF”) was originally pledged by the Commission in 2012 to the County to pay debt service on economic development bonds (“Coal Project Bonds”) issued pursuant to a Trust Indenture between the County and German American Bank.

Article IV of the Trust Indenture establishes the flow of funds for the Coal Project Bonds. This Trust Indenture is more complex than either of the documents related to the use of the Toyota TIF, but the flow of funds is essentially the same. Payments of debt service must be made first.

The bonds, bond resolution and the Trust Indentures constitute binding, valid and legally enforceable obligations of the County and the Commission. Failure to comply with the provisions of those documents could result in lawsuits brought by bondholders.

Current Claims Approval Process

We have attached documentation illustrating the current process for claims approval by the Commission. As the Commission receives claims for payment, including claims for Trustees’ fees, or claims for project expenses, are submitted to the Commission for approval. Once approved by the Commission, the County Attorney submits to the appropriate Trustee or Trustees and to the County Auditor to determine the correctness and legality of the claims, as required by IC 5-11-10-1.

Proposed Procedures for Allocation Funds

Pursuant to IC 36-7-14-39, the Commission has established a separate allocation fund for each allocation area. The tax increment from an allocation area “shall be allocated to the redevelopment district and, when collected, paid into an allocation fund for that allocation area” IC 36-7-14-39(b)(3) (emphasis added). This language, as well as the provisions of the applicable financing documents, requires the Toyota TIF and the Owensville North TIF to be maintained in two (2) separate bank accounts. The County Treasurer will include each of those accounts in the County’s Funds Ledger. The Trustees will provide both the Auditor’s office and the Treasurer’s office online access to the Trustee’s information related to all disbursements of the Toyota TIF and the Owensville North TIF for inclusion on the ledger and to match payment of claims. Pursuant to the documents, the Trustees are the only entities legally authorized to disburse funds under the bond resolution and the Trust Indentures. We believe daily

communication between the County Auditor and Treasurer and the Trustees (even if done by electronic means) should enable the County and the Commission to comply with the spirit of the law and the requirements of the documents.

The foregoing discussion expresses the professional judgment of the attorneys participating in the consideration of this matter as to the legal issues addressed in this letter. This discussion involves complex questions of law and by expressing our views on these issues, the undersigned does not become an insurer or a guarantor of that expression of professional judgment, nor does the rendering of these views guarantee the outcome of any legal dispute which may arise.

This letter is being furnished to you for your sole use only in connection with the consideration of the issues discussed in this letter and no other party is entitled to rely on this memorandum without our express written consent.

Treasurer of Gibson County

*Mary B. Key
101 N. Main Street
Princeton, IN 47670
812-385-2540
Fax 812-386-6520*

October 29, 2015

*State Board of Accounts
302 West Washington Street, Room E 418
Indianapolis, IN 46204-2765*

OFFICIAL RESPONSE

Payroll roll tax clearing: The account is a sweep account. At the time the present bookkeeper came into place, which was before I came into office, she was informed that said account did not have to be included in the cash book. The statements for this account were given to the Auditor's office since we didn't have the information on the cash book. Unknown to us, the bank changed the account from a non-interest bearing account to interest bearing. Therefore, the account never zeroed out when the funds were withdrawn by the government. There is only well less than a dollar remaining in the account at any time. This matter has been taken care of and the account is on our cash book.

Redevelopment Commission: We did not have knowledge of the change within the IC code changing "appointed treasurer" and it was only brought to our attention during the time of our audit. This matter was never discussed at any conference which I attended concerning the Treasurers.

This matter is much more complicated because of the "bond indenture" included within the bond documentation. With the help of Umbaugh, IceMiller and Lori Rogers at the SBOA, we have a plan to get the accounts in our records by the end of the year. Because of

the indenture, the county does not and cannot pay the invoices associated with the Redevelopment Commission's projects and other expenses. As soon as the Auditor's office has the accounts, amounts and information included within their books, we will be able to pull said information from them and include on the cash book. We are working with the banks to have full access to the account information and to receive monthly statements.

We do not feel comfortable including accounts for which we don't have control, dispersment, but do know this is county money.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mary B. Key". The signature is fluid and somewhat stylized, with a prominent loop at the end.

*Mary B. Key
Gibson County Treasurer*

COUNTY TREASURER
GIBSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 29, 2015, with Mary Key, County Treasurer; Stephen E. Bottoms, President of the Board of County Commissioners; and Jeremy Overton, President of Council.