

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

HARRISON COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
05/20/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Karen S. Engleman	01-01-11 to 12-31-18
County Treasurer	Carol A. Hauswald Debra Dones	01-01-11 to 12-31-14 01-01-15 to 12-31-18
Clerk of the Circuit Court	Sally A. Whitis	01-01-13 to 12-31-16
County Sheriff	Rodney Seelye	01-01-11 to 12-31-18
County Recorder	Barbara Best	01-01-13 to 12-31-16
President of the Board of County Commissioners	Kenny Saulman	01-01-14 to 12-31-16
President of the County Council	Gary Davis	01-01-14 to 01-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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TO: THE OFFICIALS OF HARRISON COUNTY, INDIANA

This report is supplemental to our audit report of Harrison 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

February 29, 2016

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COUNTY AUDITOR
HARRISON COUNTY

COUNTY AUDITOR
HARRISON COUNTY
FEDERAL FINDINGS

FINDING 2014-001 - 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 Auditor prepares the SEFA and no evidence was presented that there was any oversight, review, approval, or other compensating control to verify the accuracy of the information and amounts. 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.

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)

FINDING 2014-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

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

The County has control procedures in place for disbursements that includes the County Auditor reviewing the supporting documentation prior to certifying the accounts payable voucher. Once the accounts payable vouchers have been certified by the County Auditor they are presented to the applicable individual or Board for approval to pay. In some instances, funds were disbursed without proper certification or authorization. The County Auditor signed the majority of disbursements on the accounts payable voucher certifying the expense. Judges sign accounts payable vouchers for court expenses, and the Park Board and Board of County Commissioners sign claim dockets authorizing other disbursements. Certain disbursements that were not required by state law to have the Commissioner's signatures prior to payment and were paid between Board meetings were not always subsequently certified by the County Auditor and authorized by the Board of County Commissioners. These disbursements included surplus tax, refunds, education plate fees, tax distributions, and payroll vendor disbursements.

COUNTY AUDITOR
HARRISON COUNTY
FEDERAL FINDINGS
(Continued)

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.

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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 and 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."

HARRISON COUNTY AUDITOR

245 ATWOOD STREET • STE. 211

CORYDON, INDIANA 47112

(812) 738-8241

CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for Corrective Action: Karen Engleman, Harrison County Auditor
Contact Phone Number: 812-738-8241

Description of Corrective Action Plan:

Beginning October 8, 2014, the Harrison County Auditor's Office enacted procedures and started a system of internal controls to prevent or detect errors on the schedule of expenditures of Federal Awards.

The Auditor's Office now goes to www.cfda.gov to ensure that we are using the correct CFDA# and the correct Federal Program Title/Project Name on all grants. The County Auditor's Office also now ensures that the vendors have not been suspended or excluded from doing business with the federal government.

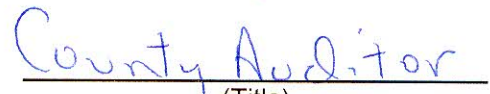
The accounts receivable deputy in the Auditor's Office receives a copy of all grants so she knows where to quietus the funds when they are received. The accounts payable deputy also receives a copy of all grants so she can audit the accounts payable vouchers to ensure funds are being disbursed in keeping with the terms of the grant agreement. If there is any question, the Auditor's Office contacts the department submitting the accounts payable voucher and if the situation is not resolved, the accounts payable voucher is submitted to the County Commissioners as a flagged claim so they are made aware of any problem before approving that accounts payable voucher.

We ensure that all federal payments are included on our grant spreadsheet so none are missed through the use of a spreadsheet that is updated each time state and/or federal funds are received.


The Harrison County Auditor and the accounts receivable deputy met with the State Board of Accounts Field Examiner in 2014 for some additional grant training to ensure we were separating the federal, state and local allocations correctly for purposes of reporting on the SEFA and for reporting the correct amount of federal awards to sub-recipients.



Karen S. Engleman



(Title)



(Date)

KAREN S. ENGLEMAN, AUDITOR

HARRISON COUNTY AUDITOR

245 ATWOOD STREET • STE. 211

CORYDON, INDIANA 47112

(812) 738-8241

CORRECTIVE ACTION PLAN

FINDING 2014-2

Contact Person Responsible for Corrective Action: Karen Engleman, Harrison County Auditor

Contact Person Responsible for Corrective Action: Kenny Saulman, President County Commissioners

Contact Phone Number: 812-738-8241

Status of Audit Finding:

The Harrison County Board of Commissioners and the Harrison County Auditor's Office enacted procedures and started a system of internal controls over financial transactions and reporting.

Beginning September 15, 2014, the Auditor's Office began the practice of submitting an additional accounts payable voucher to the Board of Commissioners, which includes all warrants written after the prior Commissioner meeting accounts payable docket and prior to the current Commissioner meeting accounts payable docket. A balancing sheet presented to the Board of Commissioners at each meeting verifies that all warrants written by the Harrison County Auditor's Office are presented to the County Board of Commissioners or the Harrison County Park Board for approval.

Beginning October 8, 2014, the accounts payable clerk became responsible for auditing the employee and employer benefit documentation completed by the payroll clerk. The payroll clerk continues to process the county payroll and calculate the employee and employer benefit payments and the County Auditor ensures the accuracy of and signs the payroll vouchers. The accounts payable clerk reviews the employee benefits documentation for accuracy and after verifying the information is correct, issues checks to the appropriate vendor(s).

Karen S. Engleman

Karen S. Engleman

County Auditor

(Title)

Kenny Saulman

Kenny Saulman

Commissioner

(Title)

2-19-16

(Date)

KAREN S. ENGLEMAN, AUDITOR

COUNTY AUDITOR
HARRISON COUNTY
AUDIT RESULT AND COMMENT

APPROPRIATIONS

The records presented for audit indicated that the Local Road and Street fund expenditures exceeded budgeted appropriations by \$2,437.

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
HARRISON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 29, 2016, with Karen S. Engleman, County Auditor.

The contents of this report were also discussed on February 29, 2016, with Gary Davis, President of the County Council; Kenny Saulman, President of the Board of County Commissioners; and George Ethridge, member of the Board of County Commissioners.

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BOARD OF COUNTY COMMISSIONERS
HARRISON COUNTY

BOARD OF COUNTY COMMISSIONERS
HARRISON COUNTY
FEDERAL FINDING

FINDING 2014-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

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

The County has control procedures in place for disbursements that includes the County Auditor reviewing the supporting documentation prior to certifying the accounts payable voucher. Once the accounts payable vouchers have certified by the County Auditor they are presented to the applicable individual or Board for approval to pay. In some instances, funds were disbursed without proper certification or authorization. The County Auditor signed the majority of disbursements on the accounts payable voucher certifying the expense. Judges sign accounts payable vouchers for court expenses, and the Park Board and Board of County Commissioners sign claim dockets authorizing other disbursements. Certain disbursements that were not required by state law to have the Commissioner's signatures prior to payment and were paid between Board meetings were not always subsequently certified by the County Auditor and authorized by the Board of County Commissioners. These disbursements included surplus tax, refunds, education plate fees, tax distributions, and payroll vendor disbursements.

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- (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."

HARRISON COUNTY AUDITOR

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(812) 738-8241

CORRECTIVE ACTION PLAN

FINDING 2014-2

Contact Person Responsible for Corrective Action: Karen Engleman, Harrison County Auditor

Contact Person Responsible for Corrective Action: Kenny Saulman, President County Commissioners

Contact Phone Number: 812-738-8241

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Karen S. Engleman

Karen S. Engleman

County Auditor

(Title)

Kenny Saulman

Kenny Saulman

Commissioner

(Title)

2-19-16

(Date)

KAREN S. ENGLEMAN, AUDITOR

BOARD OF COUNTY COMMISSIONERS
HARRISON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 29, 2016, with Kenny Saulman, President of the Board of County Commissioners; and George Ethridge, member of the Board of County Commissioners.

The contents of this report were also discussed on February 29, 2016, with Gary Davis, President of the County Council.

COUNTY COUNCIL
HARRISON COUNTY

COUNTY COUNCIL
HARRISON COUNTY
AUDIT RESULT AND COMMENT

TRAVEL POLICY

The County Council approved the mileage reimbursement rate as noted in the Council minutes. However, a review of travel claims indicated that lodging, meals, parking, and other travel related expenses were charged to the County's credit card or reimbursed to County employees without a formal travel policy adopted by the County Council for these types of travel expenses.

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. Reimbursement for lodging and meals should be based upon actual receipts for amounts paid unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY COUNCIL
HARRISON COUNTY
EXIT CONFERENCE

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