

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
JEFFERSON COUNTY, INDIANA
January 1, 2014 to December 31, 2014



FILED
01/06/2017

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 Financial Transactions and Reporting and Preparation of the Schedule of Expenditures of Federal Awards..... | 6-8 |
| Finding 2014-004 - Davis-Bacon Act | 8-9 |
| Corrective Action Plan | 10-11 |
| Audit Results and Comments: | |
| Overdrawn Cash Balance | 12 |
| Appropriations | 12 |
| Payroll Deduction Funds..... | 12-13 |
| Official Bond..... | 13 |
| Exit Conference | 15 |
| Clerk of the Circuit Court: | |
| Federal Finding: | |
| Finding 2014-002 - Internal Controls over Financial Transactions and Reporting - Clerk of the Circuit Court | 18-19 |
| Corrective Action Plan | 20-21 |
| Exit Conference | 22 |
| County Sheriff: | |
| Audit Results and Comments: | |
| Bank Account Reconciliations..... | 24 |
| Condition of Records..... | 24-25 |
| Public Records Retention | 25 |
| Official Response | 26 |
| Exit Conference | 27 |
| County Treasurer: | |
| Federal Finding: | |
| Finding 2014-003 - Internal Controls and Compliance over Financial Transactions and Reporting - County Treasurer | 30-31 |
| Corrective Action Plan | 32 |
| Exit Conference | 33 |

SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---|--|--|
| County Auditor | Celeste Reed (Vacant) Sherry Eblen | 01-01-11 to 09-05-14 09-06-14 to 09-07-14 09-08-14 to 12-31-18 |
| County Treasurer | Linda M. Greene | 01-01-13 to 12-31-16 |
| Clerk of the Circuit Court | Karen L. Mannix Tabatha Eblen | 01-01-11 to 06-26-16 06-27-16 to 12-31-18 |
| County Sheriff | John I. Wallace | 01-01-11 to 12-31-18 |
| County Recorder | Leigh Koehler | 01-01-13 to 12-31-16 |
| President of the Board of County Commissioners | Mark Cash Robert A. Little Norbert Schafer | 01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16 |
| President of the County Council | Judy L. Smith Joe Craig Laura Boldery | 01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16 |



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 JEFFERSON COUNTY INDIANA

This report is supplemental to our audit report of Jefferson 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 Jefferson County. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of Jefferson County, which provides our opinions on Jefferson 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

December 1, 2016

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COUNTY AUDITOR
JEFFERSON COUNTY

COUNTY AUDITOR
JEFFERSON COUNTY
FEDERAL FINDINGS

FINDING 2014-001 - INTERNAL CONTROLS AND COMPLIANCE OVER FINANCIAL TRANSACTIONS AND REPORTING AND PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition

There were the following deficiencies related to financial transactions and reporting:

1. Annual Financial Report

The County did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Annual Financial Report (AFR). The County Auditor prepared and entered the AFR via the Gateway system. There was no additional oversight or review of the Gateway system. There was no additional oversight or review of the AFR by someone other than the County Auditor to ensure the AFR was accurate prior to submitting.

The AFR submitted by the County Auditor was materially incorrect and did not accurately reflect the transactions and balances of the County funds. Many of the County funds were not reported on the AFR and the receipts, disbursements, and balances for many of the funds that were reported did not agree with the ledger. The audited financial statement was compiled from the AFR resubmitted by the County Auditor.

2. 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 prepared and entered the SEFA via the Gateway system. There was no additional oversight or review of the SEFA by someone other than the County Auditor to ensure the SEFA was accurate prior to submitting.

During the audit of the SEFA, we the noted the federal expenditures reported for five federal programs were understated by \$593,500.

Audit adjustments were proposed, accepted by the County, and made to the SEFA.

Criteria

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).

COUNTY AUDITOR
JEFFERSON COUNTY
FEDERAL FINDINGS
(Continued)

IC 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."

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.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the AFR and SEFA.

COUNTY AUDITOR
JEFFERSON COUNTY
FEDERAL FINDINGS
(Continued)

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the AFR and SEFA remained undetected. The AFR and SEFA contained the errors identified in the *Condition*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-004 - DAVIS-BACON ACT

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): DR2-09-230
Pass-Through Entity: Indiana Office of Community and Rural Affairs

Condition

An effective internal control system was not in place at the County to ensure compliance with the grant agreement and the Davis-Bacon Act compliance requirement.

The County hired a Grant Administrator to assist in overseeing the labor standard requirements under the Davis-Bacon Act. Certified payrolls were submitted by the contractor to the Grant Administrator who would determine if prevailing wages were being properly paid. The County did not have procedures in place to provide oversight, review, or approval of the work performed by the Grant Administrator.

Context

The lack of properly designed or implemented internal controls over the compliance requirement listed above was evident during the entire audit period.

Criteria

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. . . ."

Cause

Management did not develop a system of internal controls that segregated key functions.

COUNTY AUDITOR
JEFFERSON COUNTY
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system placed the County at risk of non-compliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approval over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls, including segregation of duties, related to the grant agreement and compliance requirement listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for Corrective Action: Sherry Eblen, Auditor
Contact Phone Number: 812-265-8942

Views of Responsible Official: **We concur with the findings.**

Description of Corrective Action Plan:

1. Annual Financial Report :

I do agree there were issues with the reporting of the Annual Financial Report into the Government web-site Gateway and I was unaware the uploading of the financial information did not upload correctly. However I have added the information manually into Gateway.

Going forward I will make sure that all information that is uploaded into Gateway is done correctly and have my First Deputy to also check the information and assure that the information is correct. I will have a document signed by both parties stating we have reviewed the AFR.

2. Schedule of Expenditures of Federal Awards:

I do agree there were issues with reporting of Schedule of Expenditures Federal Awards (SEFA) into the Government web-site Gateway. I have a better knowledge of the procedure and I will make sure I have copies of all Grants and kept in a binder in the Auditor's Office. I have corrected – added the amounts in Gateway.

I will in the future to make sure that any information Gateway are correct. Once I have completed my review I will have my First Deputy to review the information for accuracy. I will have a document signed by both parties stating we have reviewed the SEFA.

Anticipated Completion Date: **Immediate and ongoing.**

Sherry Eblen
(Signature)

Auditor
(Title)

11/22/2016
(Date)

SHERRY EBLEN, AUDITOR

Courthouse - Room 101
300 E. Main Street
Madison, IN 47250



JEFFERSON COUNTY

Office: 812-265-8942
Fax: 812-273-5302
sherry.eblen@jeffersoncounty.in.gov

CORRECTIVE ACTION PLAN

FINDING 2014-004

Contact Person Responsible for Corrective Action: Sherry Eblen, Auditor
Contact Phone Number: 812-265-8942

Views of Responsible Official:

Description of Corrective Action Plan: **We concur with the findings.**

The recommendation placed forth, reference to grant agreements, Internal Controls over Davis Bacon Act will in the future be managed in a way as to have segregation of duties in forced. Providing a system control should ensure that grant requirements are met and kept in compliance also to detect or make any correction in a timely manner. When the Grant Administrator submits Certified Payroll from a contractor the Auditor's Office will review all payroll submissions to stay with compliance requirements as to prevent any misuse and or mismanagement of federal funds.

Anticipated Completion Date: **immediately and ongoing.**

Sherry Eblen
(Signature)
Auditor
(Title)
11/22/2016
(Date)

COUNTY AUDITOR
JEFFERSON COUNTY
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCE

The cash balance of the General Fund was overdrawn by \$127,712 at December 31, 2014.

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)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations for 2014:

| <u>Fund</u> | <u>Excess Amount Expended</u> |
|--------------------------------|---------------------------------------|
| GENERAL | \$ 234,721 |
| CUMULATIVE COURTHOUSE | 187,670 |
| CUMULATIVE JAIL | 193,647 |
| CUMULATIVE CAPITAL DEVELOPMENT | 108,880 |

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."

PAYROLL DEDUCTION FUNDS

The County did not have proper controls in place to ensure the accountability of payroll deductions. A separate fund was not established for each type of payroll deduction. All payroll deductions were transferred into one payroll fund at the time payroll warrants were issued. As a result, the balance of each type of payroll deduction could not be properly identified. At December 31, 2014, the balance in the Payroll Fund was \$65,594.

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)

A separate fund shall be established for each type of payroll deduction, to which deductions shall be transferred at the time payroll warrants are issue. . . . (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 6)

. . . Do not attempt to accumulate and account for payroll deductions within the payroll fund; instead, transfer the deductions to the separate funds for each type of deduction on the records of the auditor and treasurer. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 6)

COUNTY AUDITOR
JEFFERSON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Experience has shown that one of the most difficult problems encountered by public officials is accounting for payroll deductions. That is the reason the prescribed accounting procedures provide for transfers of payroll deductions into separate funds, with a separate fund to be established for each type of deduction. Also, the establishment of such funds provides a further proof of the correctness of the deductions and remittances since the entries in each fund can be reconciled to the control account in the employees' earnings records, to the earnings statements furnished employees at the close of the year and to the reports and remittances required to be made to the various federal, state and other agencies. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 6)

OFFICIAL BOND

The current County Auditor did not have an individual surety bond for the period of September 5, 2014 through December 31, 2014.

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond:

- (1) City judges, controllers, clerks, and clerk-treasurers.
- (2) Town judges and clerk-treasurers.
- (3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks.
- (4) Township trustees.
- (5) Those employees directed to file an individual bond by the fiscal body of a city, town, or county.
- (6) Township assessors (if any).

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).

(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee. County auditors shall file bonds in amounts of not less than thirty thousand dollars (\$30,000), as fixed by the fiscal body of the county. The amount of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000). . . ."

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COUNTY AUDITOR
JEFFERSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 1, 2016, with Sherry Eblen, County Auditor; Laura Boldery, President of the County Council; Norbert Schafer, President of the Board of County Commissioners; Gary Ambrecht, County Council member; David J. Craig, County Council member; and Robert Little, County Commissioner.

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CLERK OF THE CIRCUIT COURT
JEFFERSON COUNTY

CLERK OF THE CIRCUIT COURT
JEFFERSON COUNTY
FEDERAL FINDING

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

Condition

There were several deficiencies in the internal control system of the Clerk of the Circuit Court (Clerk) related to financial transactions and reporting.

1. Lack of Segregation of Duties: The Clerk had not separated incompatible activities related to cash and investment balances, receipts, and disbursements. One employee performed the following duties without any oversight or review:
 - a. Issued receipts
 - b. Balanced cash drawer
 - c. Made-up deposit
 - d. Took deposits to the bank
 - e. Posted receipts and checks to records
 - f. Made adjustments
 - g. Issued checks
 - h. Prepared bank reconcilements
2. Monitoring of Controls: The Clerk had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the Clerk to monitor and assess the quality of the system of internal control.

CLERK OF THE CIRCUIT COURT
JEFFERSON COUNTY
FEDERAL FINDING
(Continued)

Criteria

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)

Cause

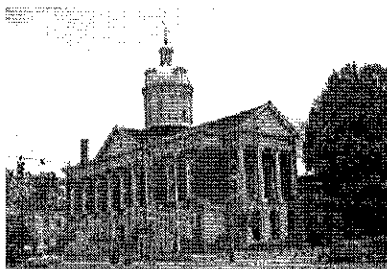
Management of the Clerk's office has not established a proper system of internal control.

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the Clerk's office at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



Jefferson County Clerk

Courthouse, Room 203

300 E. Main Street

Madison, Indiana 47250

Phone: (812) 265-8924 ext. 1924 Fax: (812) 273-5428

FINDING 2014-002

CONTACT PERSON: Tabatha Eblen, Clerk

CONTACT NUMBER: 812-265-7614

We concur with the finding.

DISCRIPTION OF CORRECTION ACTION PLAN:

The Jefferson County Clerk of the Circuit Court has implemented the following plans which became effective November 15, 2016.

Each employee takes payments and will run their own receipts. Each employee will balance their own drawer and give it to the book keeper. After each employee balances their drawer for the judicial and child support payments they have received, the Clerk or the First Deputy Clerk will double check the numbers and balances. After each trial balance is initialed stating it has been counted, the bookkeeper will then count each balance and prepare the bank deposit. Once the bank deposit has been prepared, the Clerk or the First Deputy Clerk will then check the deposit to ensure all balances are correct. Each employee in the office rotates taking the deposit to the bank.

All employees can post receipts and checks to records. All employees can issues checks. The check printer is in the book keepers office so if the book keeper runs a check for an employee, the employee is in the room and monitors the check being issued. If the book keeper is no in the office, another employee will come and watch as the check is printed. The Clerk, book keeper and First Deputy can make adjustments. Whomever does an adjustment will have one of the others authorized review and sign off.

The book keeper prepares bank reconcilements and the clerk or first deputy review and sign off. The clerk will evaluate all controls on a consistent basis to ensure they are working correctly.

Anticipated Completion Date: The implementation of this action plan has already taken effect.

Savathia Eblin
(Signature)

Clerk
(Title)

11 / 28 / 16
(Date)

CLERK OF THE CIRCUIT COURT
JEFFERSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 1, 2016, with Tabatha Eblen, Clerk of the Circuit Court; Kathi Scroggins, Clerk's Office Bookkeeper; Laura Boldery, President of the County Council; Norbert Schafer, President of the Board of County Commissioners; Gary Ambrecht, County Council member; David J. Craig, County Council member; and Robert Little, County Commissioner.

COUNTY SHERIFF
JEFFERSON COUNTY

COUNTY SHERIFF
JEFFERSON COUNTY
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Monthly depository reconciliations of the fund balances to the bank account balance were not prepared for the Sheriff Inmate Trust Funds for the entire audit period. Per a cursory review of bank statement and ledger balances, the ledger balances showed \$1,134 more than the bank balance at December 31, 2014.

A cursory review essentially means that the bank balance was compared to the ledger balance only taking into account outstanding checks from the prior year's reconcilements that were over two years old. The outstanding check list was not verified as accurate. No other adjustments, such as returned checks for insufficient funds, or posting errors and omissions were taken into account.

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."

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

CONDITION OF RECORDS

The County did not have proper controls in place to ensure the accuracy of the accounting records maintained by the County Sheriff's department. Financial records presented for audit were incomplete and not reflective of the activity of the Sheriff Inmate Trust Fund. We noted the following deficiencies:

1. Checks and receipts were not posted for the proper amount.
2. Bank deposits were posted to the ledger instead of individual receipts for collection of cash bonds, monies received on inmate trust accounts, etc.
3. Monthly interest and EFT's not posted to the ledger.
4. The detail of the inmate's trust accounts had not been reconciled to the ledger 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)

COUNTY SHERIFF
JEFFERSON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

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

PUBLIC RECORDS RETENTION

The Sheriff did not retain a copy of the Inmate Trust Subsidiary Ledger for audit.

Indiana Code 5-15-6-3(d) states:

"No financial records or records relating thereto shall be destroyed until the earlier of the following actions:

- (1) The audit of records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced as described in subsection (e)."

Indiana Code 5-15-6-8 states:

"A public official or other person who recklessly, knowingly, or intentionally destroys or damages any public record commits a Level 6 felony unless:

- (1) the commission shall have given its approval in writing that the public records may be destroyed;
- (2) the commission shall have entered its approval for destruction of the public records on its own minutes; or
- (3) authority for destruction of the records is granted by an approved retention schedule established under this chapter."



JEFFERSON COUNTY SHERIFF'S OFFICE

317 S. Walnut Street • Madison, Indiana 47250

John I Wallace, Sheriff

Phone: 812-265-2648

Fax: 812-265-4716

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

Dear Lisa,

The Jefferson County Jail's Commissary Fund was audited by the State Board of Accounts. After speaking with SBOA Representative Dave Stainbrook, about the information required to retrieve an accurate balance, Jail Commander Andrew Horine provided 2014 Bank statements. Jail Commander Horine conveyed to SBOA Stainbrook that the information he needed was going to take some time to retrieve, due to the size of the file. SBOA Stainbrook stated it could be given in digital format, so we didn't have to print out 11,000 pages of the account. Mr. Stainbrook agreed that digital format would be preferred and printing them out would be too cumbersome. JCJ had not provided the spreadsheet to SBOA before the completion of the Audit, so the most accurate information was not present for a proper audit.

After reviewing further documentation regarding the discrepancy, Jail Commander Horine and SBOA Stainbrook verbally agreed the difference was approximately \$8.00. The error was due to JCJ not providing the Trinity / Canteen information to SBOA in a timely manner, only Bank Statements. The Bank Statements reflect whole deposits when referring to ACH deposits and withdrawals; our Software includes outstanding ACH transactions / deposits.

All additional documentation from the Trinity Services Group was provided at the exit meeting regarding the Canteen Inmate Commissary Fund. After reviewing the information, JCJ staff has received additional training on how to perform and retrieve data from the Canteen software, which should prevent any future issues.

Please contact my office for any additional information that is needed or for questions.

Sincerely,

A handwritten signature in black ink, appearing to read "John I. Wallace".

John I. Wallace
Jefferson County Sheriff

COUNTY SHERIFF
JEFFERSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 1, 2016, with John I. Wallace, County Sheriff; Andrew Horine, Jail Commander; Libby Hoffman, Jail Matron; Laura Boldery, President of the County Council; Norbert Schafer, President of the Board of County Commissioners; Gary Armbrrecht, County Council member; David J. Craig, County Council member; and Robert Little, County Commissioner.

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COUNTY TREASURER
JEFFERSON COUNTY

COUNTY TREASURER
JEFFERSON COUNTY
FEDERAL FINDING

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

Condition

There were several deficiencies in the internal control system of the County Treasurer related to financial transactions and reporting.

1. Monthly bank reconciliations and financial reports: The County Treasurer had not established controls to ensure that record balances were fully reconciled to the depository balances and monthly financial reports were accurate and complete. During our testing of the bank reconciliation and financial reports at December 31, 2014, there were the following:
 - a. The County Treasurer did not properly complete monthly reconciliations of the records to the bank accounts for the months from April through December 2014. Reconciling items were not properly identified, such as electronic deposits receipted in later months, and listings of outstanding checks were inaccurate. As of December 31, 2014, the bank account indicated cash short in the amount of \$49,517.
 - b. Posting of tax payments through the Lockbox system (this is where taxes are collected at the bank) were not reconciled to the actual deposits on the bank statements.
 - c. The record balances shown in the County Treasurer's Cash Book for the various bank accounts did not agree with the total of the County Auditor's fund ledger and after settlement collections recorded.
2. Monitoring of Controls: The County Treasurer had no process to identify or communicate corrective actions to improve controls. Effective internal control over financial reporting required the County Treasurer to monitor and assess the quality of the system of internal control.

Criteria

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.

COUNTY TREASURER
JEFFERSON COUNTY
FEDERAL FINDING
(Continued)

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 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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 10)

Cause

Management of the County Treasurer's office had not established a proper system of internal control and review to ensure that reconciliations to the bank balances were complete and accurate; and that monthly financial reports were completed accurately.

Effect

The failure to establish controls and complete monthly financial reports enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the County Treasurer's office at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

JEFFERSON COUNTY TREASURER

November 16, 2016

Indiana State Board of Accounts
Brian T Watkins, CPA
Audit Manager

RE: FINDING 2014-003

As Jefferson County Treasurer, I concur with the Audit Results and Comments included in the above Finding 2014-003. I fully accept the responsibilities of my office, and I regret that these problems occurred. I assure you and the taxpayers of Jefferson County that I have taken steps to remediate these issues.

Upon learning of the deficiencies, there was a necessary personnel change and the hiring of a new employee that will rectify the situation with the monthly bank reconciliations and financial reports and together we have been working toward accurate and timely reporting.

I appreciate the manner in which the field examiners of the Indiana State Board of Accounts assisted this office in determining the discrepancies and the guidance and support they gave as we began to take corrective action and set up monitoring controls for the future.

I want the public to know that I am committed to fulfill the responsibilities of the office of Jefferson County Treasurer in the prescribed manner. We hope to correct the deficiencies that have been noted within the next six months.

Sincerely,



Linda M Greene
Jefferson County Treasurer

COUNTY TREASURER
JEFFERSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 1, 2016, with Linda M. Greene, County Treasurer; Laura Boldery, President of the County Council; Norbert Schafer, President of the Board of County Commissioners; Gary Ambrecht, County Council member; David J. Craig, County Council member; and Robert Little, County Commissioner.