

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SCOTT COUNTY, INDIANA

January 1, 2014 to December 31, 2015



FILED
01/13/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Teresa Vannarsdall Tammy Stout Johnson	01-01-11 to 12-31-14 01-01-15 to 12-31-18
County Treasurer	Sheryl Jent	01-01-13 to 12-31-20
Clerk of the Circuit Court	Missy Applegate	01-01-13 to 12-31-20
County Sheriff	Joseph Daniel McClain	01-01-11 to 12-31-18
County Recorder	Annalee Turley	01-01-13 to 12-31-20
President of the Board of County Commissioners	Mark Hays Larry Blevins Robert Tobias	01-01-14 to 11-08-14 11-09-14 to 01-06-15 01-07-16 to 12-31-16
President of the County Council	Ab Watts Iva Gasaway	01-01-14 to 12-31-14 01-01-15 to 12-31-16



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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TO: THE OFFICIALS OF SCOTT COUNTY, INDIANA

This report is supplemental to our examination report of Scott County (County), for the period from January 1, 2014 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement Examination Report of the County, which provides our opinion on the County's financial statement. This report may be found at www.in.gov/sboa/.

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 Examination 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 Official Response to the Examination Results and Comments, incorporated within this report, was not verified for accuracy.

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

December 12, 2016

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COUNTY AUDITOR
SCOTT COUNTY

COUNTY AUDITOR
SCOTT COUNTY
EXAMINATION RESULTS AND COMMENTS

BOARD MINUTES

Minutes of meetings held by the Board of County Commissioners and the County Council were not properly maintained. The following deficiencies were noted:

1. Notations in the minutes of the meetings of the County Council and the Board of County Commissioners indicated approval of the minutes by the respective governing board; however, the approval was typically several months after the meeting was held.
2. Minutes of the meetings of the County Council and the Board of County Commissioners were not always signed by the County Auditor or the Board or Council members attesting to accuracy and completeness.
3. Minutes were not presented for the County Council Meeting held in December of 2014.
4. Minutes of the County Council Meetings were not completed in a timely manner. A review of all available minutes on August 22, 2016, showed the latest minutes available were dated April 4, 2016. As of December 12, 2016, minutes had been completed and presented up to date.

Indiana Code 5-14-1.5-4 states in part:

" . . . (b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under section 3.5 or 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication.

(c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

COUNTY AUDITOR
SCOTT COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

APPROPRIATIONS

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

Fund	Excess Amount Expended	
	2014	2015
Courthouse Debt Svc	\$ 445	\$ 245
Rainy Day Fund	-	128,229

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."

PENALTIES, INTEREST, AND OTHER CHARGES

The County paid penalties and interest to the Internal Revenue Service in the amount of \$3,258 for failure to timely remit payroll withholdings.

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 1)

OVERDRAWN CASH BALANCES

The financial statement presented in the Financial Statement Examination Report included the following funds with overdrawn cash balances at December 31, 2014 and 2015:

Fund	Amounts Overdrawn	
	2014	2015
Co Corrections Grant	\$ 22,292	\$ 23,147
Payroll Federal	2,607	2,607
Payroll Medicare	2,440	2,440
Payroll Flex One	3,577	3,577
Fines & Forfeitures	-	329
Inheritance Tax Fund	920	-
Infraction Deferral Fund	-	459
Cease Grant-Sheriff	13	150
Children Health Clini	3,629	3,629
Payroll E-Loan Pmt	416	336
Comm Corrections Grant	-	3,963
Prosecutors Jabig	1,124	1,124

COUNTY AUDITOR
SCOTT COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

ALLOWANCE OF PAYROLL CLAIMS

During the examination period, the County Auditor did not certify the individual Payroll Claims or the Allowance of Payroll Claims (Payroll docket). Additionally, the payroll dockets were not approved by the majority of the Board of County Commissioners.

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

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

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

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

COUNTY AUDITOR
SCOTT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 12, 2016, with Teresa Vannarsdall, former County Auditor; Tammy Stout Johnson, County Auditor; Iva Gasaway, President of the County Council; Raymond W. Jones, County Council member; and Kelley Robbins, Board of County Commissioners member.

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COUNTY TREASURER
SCOTT COUNTY

COUNTY TREASURER
SCOTT COUNTY
EXAMINATION RESULT AND COMMENT

CONDITION OF RECORDS

We noted the following deficiencies:

1. The Treasurer's Daily Balance of Cash and Depositories, Form 47 (Treasurer's Cash Book) was not being posted and balanced daily. A review of the Treasurer's Cash Book on October 18, 2016, showed that the last transaction posted was on September 16, 2016. There were no controls established to ensure that the posting and reconciling of the Cash Book was done daily as required by statute.
2. When the Cash Book reconciliation was completed, variances in the Cash Book were not investigated. A line item titled "Corrections" was added to the Cash Book to hold all of these unidentified variances. These variances were resolved during the settlement process.
3. The Cash Book was not reconciled to the balance statements from the bank on a monthly basis. There were no controls established to ensure that the monthly bank reconciliations are completed and accurate.
4. We noted variances between the funds ledger maintained by the County Auditor and the total funds listed on the Cash Book. We determined a posting error on the funds ledger that was corrected in June 2016. After adjusting for that posting error, we noted that the total cash and investments per the Cash Book indicated a cash necessary to balance of \$71,205 as of December 31, 2015.

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

"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."

The Treasurer's Daily Balance of Cash and Depositories, Form 47, is the record prescribed to enable the treasurer to comply with IC 5-13-5-1. It reflects the daily receipts and disbursements, total amount of cash and investments on hand, and a proof of the financial condition of the office at the close of each day.

COUNTY TREASURER
SCOTT COUNTY
EXAMINATION RESULT AND COMMENT
(Continued)

The record is designed to be posted "daily," with a separate page for each day. The left side of the page shows the total amount of money for which the treasurer is accountable (charges) and the right side of the page shows the money on deposit, invested or on hand (credits), as proof of the financial condition. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 4)

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)

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)

COUNTY TREASURER
SCOTT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 12, 2016, with Sheryl Jent, County Treasurer; Iva Gasaway, President of the County Council; Raymond W. Jones, County Council member; and Kelley Robbins, the Board of County Commissioners member.

CLERK OF THE CIRCUIT COURT
SCOTT COUNTY

CLERK OF THE CIRCUIT COURT
SCOTT COUNTY
EXAMINATION RESULT AND COMMENT

DEPOSITS NOT MADE INTACT

Instances were noted in which child support collections were not always deposited in the same form as noted on the receipt. Of the twenty-nine days tested, there were discrepancies on eight days between the form of collections (i.e. cash or check) noted on the receipt register and the actual bank deposit slip. In each instance, the total amount deposited agreed with the total collections per the daily receipt ledger; however, the bank deposit slip showed less cash being deposited and more checks being deposited than the amount shown for each type on the daily receipt register.

Indiana Code 5-13-6-1(c) states in part: " . . . Public funds deposited . . . shall be deposited in the same form in which they were received."



Missy Applegate
SCOTT COUNTY CLERK OF COURTS

1 East McClain Avenue, Suite 120
Scottsburg, Indiana 47170
(812) 752-8420

"Official Response"

It was procedure in the Clerk's office to exchange checks for smaller bills from one account to the other to make change for customers paying at the window and also to breakdown the \$100 cash drawer kept in the Clerk's office. To accommodate persons at the window, change would also be made from checks and or money orders of which their check or money order was for an amount greater then what was required to make their full payment in full. These procedures have been stopped and signs were posted that stated no change would be given and exact change must be provided. All future deposits will be made intact.

Missy Applegate
Missy Applegate

CLERK OF THE CIRCUIT COURT
SCOTT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 12, 2016, with Missy Applegate, Clerk of the Circuit Court; Iva Gasaway, President of the County Council; Raymond W. Jones, County Council member; and Kelley Robbins, Board of County Commissioners member.