

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

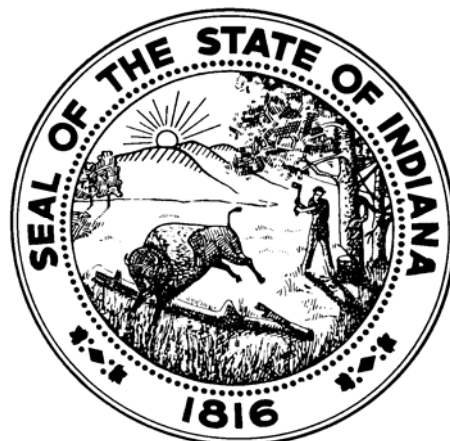
AUDIT REPORT

OF

ANIMAL SHELTER

JOHNSON COUNTY, INDIANA

January 1, 2004 to February 28, 2005



FILED

03/29/2007

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Animal Shelter Warden	Julie Hively Shawn Donovan	06-19-00 to 03-14-05 05-02-05 to 12-31-07
Auditor	Deborah Shutta Brenda Jones-Matthews vacant Janice D. Richhart	01-00-00 to 12-31-03 01-01-04 to 06-09-05 06-10-05 to 06-30-05 07-01-05 to 12-31-07
President of the County Council	Brent Waltz Ron West John Price	01-01-03 to 10-11-04 10-12-04 to 12-31-06 01-01-07 to 12-31-07
President of the Board of County Commissioners	Joseph DeHart James Rhoades R.J. McConnell	01-01-03 to 12-31-03 01-01-04 to 12-31-04 01-01-05 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF JOHNSON COUNTY

We have audited the records of the Animal Shelter for the period from January 1, 2004 to February 28, 2005, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Annual Reports of Johnson County for the years 2004 and 2005.

STATE BOARD OF ACCOUNTS

November 22, 2006

ANIMAL SHELTER
JOHNSON COUNTY
AUDIT RESULTS AND COMMENTS

RECEIPT ISSUANCE

In some instances receipts were not issued or recorded.

Our audit of the Animal Shelter revealed that 40 checks totaling \$1,039.38 in public funds were misappropriated during the period from January 1, 2004 through February 28, 2005. The checks ranged in amounts from \$1.00 to \$100.00, most of which appeared to be donations to the Animal Shelter. We were able to obtain copies of the checks included in most of the deposits for the period from January 2004 to February 2005 from the bank.

Audit evidence shows that an Animal Shelter employee manipulated cash receipt transactions by substituting checks for cash. Check payments from donations and possibly charges for services were received by the Animal Shelter. Instead of receipting these payments, the checks were substituted for currency from other recorded transactions. A corresponding amount of cash was then taken.

The method used for preparing many deposits was not determinable. Usually, there was a note on the last duplicate receipt of the amount of the deposit and the date deposited. At times, there were checks in a specific deposit which were for receipts issued from a prior group of receipts as noted in a series in the duplicate receipt books. There were also many instances where the checks in a specific deposit were for receipts issued after the series of receipts noted for that specific deposit.

We have requested that Julie Hively, former Animal Shelter Warden, repay \$1,039.38 to the County. (See Summary, page 11)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

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."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the Animal Shelter ledger balance to the bank account balance were incomplete for the audit period. The reconciliation attempts were limited to filling in the bank balance and the amount of the monthly check issued to the County Treasurer on the bank reconciliation form on the back of the bank statements. The bank reconciliation as of December 31, 2004, prepared during the audit, included a difference of \$278.00. A subsequent bank reconciliation prepared as of February 28, 2005, included a difference of \$4,115.05.

Included in the \$4,115.05 amount was a receipt error of \$2,970.00. During the audit, we determined that a donation check for \$3,000.00 had been misinterpreted by the Animal Shelter staff as \$30.00. The receipt was issued for \$30.00, posted in the ledger and included in that day's deposit as \$30.00. The bank issued a correction to the deposit for \$2,970.00. The bank statement for that month had a note written across it that said, "This check was deposit as \$30.00 and it was \$3,000.00." However, no corrections were made to the receipt or the ledger.

ANIMAL SHELTER
JOHNSON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Also, there was an \$800.50 error in January 2004, which was a result of the month end ledger balance being cut off early and the Report of Collections being prepared as of that date. Subsequent receipts were issued and dated in January; however, those receipts were not posted to the January or the February ledger. As a result, \$800.50 in collections was not included on a Report of Collections and was not remitted to the County Auditor's Office.

There were also audit results and comments on bank reconcilements in prior audit reports (2002: Report B22041; 2001: Report B20183).

Indiana Code 5-13-6-1(e) states in part: "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."

DEPOSITS

Receipts were routinely not deposited on a timely basis. Some deposits were made up to six business days after a collection was made. There were also similar comments in prior audit reports (2002: Report B22041; 2001: Report B20183; 2000: Report B18277).

Indiana Code 5-13-6-1(c) states in part: "All local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . . ."

Some receipts were written for amounts which could not be verified to bank deposits. Further examination disclosed that this was the result of checks being cashed from the collected funds. In our analysis of copies of deposited items provided by the depository, we noted 26 third party checks in amounts ranging from \$2.50 to \$350.00 made payable to Julie Hively, former Animal Shelter Warden. We also noted several instances where the deposits included Animal Shelter staff personal checks, in amounts ranging from \$10.00 to \$20.00.

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."

INTERNAL CONTROLS

Controls over the receipting, recording, and accounting for the financial activities of the Animal Control department were insufficient.

1. We noted an instance where the amount of a deposit was less than the total amount of receipts issued. The Animal Shelter Warden indicated that she made at least one cash refund of fees. There was no written documentation to prove this occurred, nor were we able to determine the date or amount of this refund.

ANIMAL SHELTER
JOHNSON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

2. During our audit, we performed an unannounced cash count. The cash and checks as counted agreed with the duplicate receipts and the amount of the cash change fund. However, during the cash count, the Animal Control Warden wrote a receipt for a donation which she said had been received the previous day. We questioned the fact that there was no cash long noted during the cash count. At that point, she voided the receipt that she had just written. It was noted that the voided receipt was for \$27.00 and the method of payment was marked cash.
3. Bank deposits were transported to the bank by various Animal Shelter employees. There was no written documentation to indicate who took the deposit on any given day, nor was there a log kept of the employee's name, the amount of the deposit, or verification by someone else that the deposit was actually made.

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

REPORTS OF COLLECTION

Reports of Collection were not timely filed with the County Auditor for December 2004 and January 2005. The required reports and the checks were remitted to the County Auditor on January 21, 2005, and February 18, 2005, respectively.

Receipts for the same time period included a donation of \$33,184.22 which was deposited on December 31, 2004, and receipted as of January 1, 2005. However, as previously noted, the donation was not remitted to the Auditor's office until February 18, 2005. As a result, the County lost the ability to earn interest on this amount of money, for a period of 49 days.

Reports of Collection filed with the County Auditor did not include all receipts issued during the month. The receipts posted to the ledger for a specific month were typically cut off several days prior to month end with those receipts included in the following month's ledger and Report of Collections totals. However, we noted 1 instance in January 2004 where the month end was cut off early, with subsequent receipts dated in January which totaled \$800.50 that were also omitted from the receipts posted for the February 2004 ledger. This amount was not included in any subsequent Report of Collections. Due to the lack of bank reconciliations, this error was not discovered by Animal Shelter staff. The \$800.50 is a component of the \$4,115.05 difference on the bank reconciliation as of February 28, 2005.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

ANIMAL SHELTER
JOHNSON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

FEES CHARGED

The Animal Shelter staff charged adoption and microchip fees not authorized by ordinance. In some instances, adoption fees were waived or the amount differed from either the ordinance or the usual amounts which had been charged. There was no documentation supporting the fee waivers or different amounts. There were also allegations that certain animals were given to various individuals or groups, for rescue purposes; however, there was a lack of documentation of these events.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

PERSONAL PROPERTY USE

The former County Animal Warden used a cellular phone during normal work hours and had access to the phone outside of normal work hours. A log of all business calls was not presented for audit.

A review of several months of detailed phone calls revealed that there were numerous calls to Florida and other out of state locations, generally outside of the normal work hours. We were unable to determine that these phone calls were related to Animal Shelter business purposes.

Assets of the governmental unit may not be used in a manner unrelated to the functions and purposes of the governmental unit.

Whenever an item or other asset owned by the political subdivision is entrusted to an officer or employee, to be used at times outside the normal work time for business purposes, such as a cellular phone, or vehicle, a log should be maintained which clearly shows the business use. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

CONDITION OF RECORDS

We noted a significant number of posting errors and incorrect monthly totals. We noted receipts not posted correctly or posted at a later date. There were no notations in the ledger of the voided receipt numbers. Nonsufficient funds checks were incorrectly posted. No log was kept to track nonsufficient funds checks and the subsequent collection of the funds.

The following is just one example of many unusual errors discovered in the recording of transactions: One duplicate receipt showed \$34 as the written amount; however, in the area for the numeric amount appeared to have been changed from \$34 to \$84. The amount actually deposited was \$84. The receipt was for an adoption and a microchip, for which the normal fee is \$34. There was no explanation for the difference between the two amounts on the duplicate receipt. The receipt was posted in the ledger as \$34.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

ANIMAL SHELTER
JOHNSON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

FORM APPROVAL

During 2004, the Warden began using an Excel spreadsheet for the ledger. There were no controls to ensure that the monthly totals were correct. During testing, we noted that not all totals on the monthly ledgers were correct. Also, the disbursements to the County Auditor were not posted to the ledger, nor were monthly totals compared to ensure that the totals agreed with the amounts which were remitted to the County Auditor.

The County Bulletin and Uniform Compliance Guidelines, Volume No. 339, page 7 (October 2002) states in part: ". . . spreadsheets should not be utilized to generate control documents such as ledgers, receipt registers, check registers, outstanding check list and similar reports."

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

INTERNAL CONTROLS - DOCUMENTATION

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. Various documents related to animal control activities were not prepared or maintained in such a manner that would allow for the activities to be audited.

Due to allegations about adoption fees not being sufficient in relation to the number of adoptions taking place, we requested the adoption paperwork for one month's activity and attempted to trace this information to the duplicate receipts issued for that month.

A surrender form is used to document the animals which are taken in at the animal shelter for various reasons. The form includes information about the animal, as well as a space for noting the final disposition of the animal. However, there is no requirement that the receipt number for those dispositions which require a charge, be placed on this form. In the case of an adoption, this form had not, in many cases, been matched up with the adoption paperwork, once the process was complete.

Each adoption transaction should be supported by a completed adoption form, a surrender form, noting adoption as the final disposition, and a duplicate receipt in the amount of the adoption fee. In the review of the documentation provided for one month of adoption activity, we discovered: some surrender slips, noting adoption as the final disposition, which did not correlate with any adoption forms; one adoption form which did not correlate with a duplicate receipt; two duplicate receipts for adoption fees which did not correlate with an adoption form; and several surrender slips, noting adoption as the final disposition, which did not correlate with an adoption form or a duplicate receipt.

There were several issues which were discovered during the review of the paperwork. The charges for the adoption included microchips as well as the adoption fees. In the ledger, these amounts were separated, so that the microchip fee was reported separately from the adoption fees. The individual who made the original allegation was taking into account only the adoption fee, which resulted in the appearance that recorded fees were less than they should have been. We also noted that there were instances where animals were given for supposed rescue efforts. In those instances, there were charges found for the microchip process, but not for adoption. We were unable to find a written policy which allowed for this situation.

ANIMAL SHELTER
JOHNSON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

We recommended that policies and procedures be developed so that the various documentation can be traceable from the source documentation (in this example – adoption paperwork) to the appropriate duplicate receipts.

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. (Accounting and Uniform Compliance Guidelines Manual for Treasurers, Chapter 10)

ANIMAL SHELTER
JOHNSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on January 31, 2007, with Mitch Ripley, County Commissioner; Janice D. Richhart, County Auditor; and Shawn Donovan, Animal Shelter Warden. The officials concurred with our audit findings.

Julie Hively, former Animal Shelter Warden, was contacted via telephone. She declined the opportunity to discuss this report or to be present for an exit conference.

ANIMAL SHELTER
JOHNSON COUNTY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Julie Hively, Animal Shelter Warden: Receipt Issuance, page 4	<u>\$ 1,039.38</u>	<u>\$ -</u>	<u>\$ 1,039.38</u>

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AFFIDAVIT

STATE OF INDIANA)
)
BROWN COUNTY)

I, Linda L. Hall, Auditor in Charge, being duly sworn on my oath, state that the foregoing report based on the official records of the Animal Shelter, Johnson County, Indiana, for the period from January 1, 2004, to February 28, 2005, is true and correct to the best of my knowledge and belief.

Linda L. Hall
Auditor in Charge

Subscribed and sworn to before me this 21st day of March, 2007.

Sharon E. Crabtree
(Notary Public)

My Commission Expires: September 3, 2011

County of Residence: Brown

