

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

AUDIT REPORT

OF

BOARD OF COUNTY COMMISSIONERS

HENRY COUNTY, INDIANA

January 1, 2006 to December 31, 2006



**FILED**

12/18/2007



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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Linda S. Ratcliff	01-01-03 to 12-31-10
President of the County Council	Robert L. Veach	01-01-06 to 12-31-07
President of the Board of County Commissioners	Larry D. Hale Phillip J. Estridge	01-01-06 to 12-31-06 01-01-07 to 12-31-07



**STATE OF INDIANA**  
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TO: THE OFFICIALS OF HENRY COUNTY

We have audited the records of the Board of County Commissioners for the period from January 1, 2006 to December 31, 2006, 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 Report of Henry County for the year 2006.

STATE BOARD OF ACCOUNTS

September 26, 2007

BOARD OF COUNTY COMMISSIONERS  
HENRY COUNTY  
AUDIT RESULTS AND COMMENTS

GUARANTEED ENERGY SAVINGS CONTRACT

Henry County entered into a guaranteed energy savings contract with Landis and Gyr Powers, Inc., (now Siemens Building Technologies, Inc.) on August 19, 1996. The total amount of the contract was \$633,369. The total amount of guaranteed energy savings was \$94,310. The total amount of guaranteed stipulated or agreed upon savings was \$539,059. The contract provides operational cost savings projections and included capital expenditures as "agreed upon Operational Cost Savings." The "agreed upon" savings of \$628,240 were "deemed realized upon execution" of the contract. No information was presented for audit to document guaranteed operational savings.

The contract states in part: "It is impossible to accurately measure the actual operational savings after improvements are implemented so the operational savings identified in the guaranteed (sic) shall be added to the actual energy savings to arrive at a total guaranteed savings amount. By signing this document the Owner (Henry County) is agreeing that these annual operational savings will occur."

Stipulated Savings is further described in the contract as "Operational Savings - Includes any labor and material costs associated with the repair of unplanned maintenance of the equipment being replaced in the scope of work." and "Capital Offset - Includes cost avoidance from future planned equipment upgrades or replacement with the cost amortized over the ten years of the agreement." No information was presented for audit to document any "stipulated savings" that resulted in actual energy or operating cost savings from energy conservation measures.

The project includes per the contract, a lighting retrofit, HVAC upgrade, replacement windows, and a boiler replacement.

The Public Works Law, Indiana Code 36-1-12-1(e) states in part: "As an alternative to this chapter, the governing body . . . may . . . enter into a guaranteed energy savings contract as permitted under IC 36-1-12.5."

Effective March 21, 2002, Indiana Code 36-1-12.5-1 states in part: "As used in this chapter, 'energy conservation measure' means a . . . facility alteration or an alteration of a structure (as defined in IC 36-1-10-2) designed to reduce energy consumption costs or other operating costs . . . including future: (A) labor costs; (B) costs for contracted services; and (C) related capital expenditures."

Indiana Code 36-1-12.5-5(a) concerning energy savings contracts states in part: "The governing body may enter into . . . a guaranteed energy savings contract with a qualified provider to . . . reduce the . . . political subdivision's energy . . . consumption . . . costs, or operating costs if, after review of the report described in section 6 of this chapter, the governing body finds: (1) . . . that the amount the governing body would spend on the conservation measures under the contract and that are recommended in the report is not likely to exceed the amount to be saved in energy consumption costs and other operating costs over ten (10) years from the date of installation if the recommendations in the report were followed; (3) in the case of a guaranteed energy savings contract, the qualified provider provides a written guarantee as described in subsection (d)(3)."

Indiana Code 36-1-12.5-5(d) states in part: "An agreement to participate in . . . guaranteed energy savings contract under this section must provide that: . . . (3) in the case of the guaranteed energy savings contract: (A) the savings in energy and . . . operating costs . . . due to the energy conservation measures are guaranteed to cover the costs of the payments for the measures; and (B) the qualified provider will reimburse the school corporation or political subdivision for the difference between the guaranteed savings and the actual savings . . ."

BOARD OF COUNTY COMMISSIONERS  
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(Continued)

Effective March 21, 2002, Indiana Code 36-1-12.5-0.5 states: "As used in this chapter, 'actual savings' includes stipulated savings."

Indiana Code 36-1-12.5-0.7 states: "As used in this chapter, 'causally connected work' means work that is required to properly implement an energy conservation measure."

Indiana Code 36-1-12.5-3.7 states in part: "As used in this chapter, 'stipulated savings' are assumed savings that are documented by industry engineering standards."

Indiana Code 36-1-12.5-11 states in part:

"(a) A guaranteed energy savings contract that includes stipulated savings must specify the methodology used to calculate the savings using industry engineering standards.

(b) Stipulated savings may be used for energy conservation measures including . . . (11) Any work that is causally connected to the energy conservation measures listed in subdivisions (1) through (10).

(c) The guaranteed energy savings contract shall:

(1) describe stipulated savings for:

(A) energy conservation measures; and

(B) work causally connected to the energy conservation measures; and

(2) document assumptions by industry engineering standards."

Henry County Officials conveyed that the items shown as "agreed upon" or "stipulated savings" have been predetermined. Furthermore, the Henry County Officials do not have available for audit and conveyed they do not plan in the future to have any additional information to document actual operating or energy savings. Accordingly, with due regards for the remaining contract time for which information may be presented to document actual operating and energy savings (effective March 21, 2002, "stipulated savings" documented by "industry engineering standards"), the County should request reimbursement from Siemens Building Technologies, Inc., for costs which did not result in an actual reduction of energy consumption costs or other operating costs (or effective March 21, 2002, stipulated savings which were not supported by "industry engineering standards") at the end of the contract term in accordance with Indiana Code 36-1-12.5-5(d)(2)(B).

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 7)

The project included a security system, a fire alarm, new high performance coaxial speakers, state intercom system, attic storage space added, and exterior sandblasting which totaled 20% of the total project.

BOARD OF COUNTY COMMISSIONERS  
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AUDIT RESULTS AND COMMENTS  
(Continued)

Effective March 21, 2002, Indiana Code 36-1-12.5-12(a) states in part:

"An improvement that is not causally connected to an energy conservation measure may be included in a guaranteed energy savings contract if:

- (1) the total value of the improvement does not exceed fifteen percent (15%) of the total value of the guaranteed energy savings contract . . ."

Savings summary reports relative to guaranteed energy savings contracts that are required to be filed with the Indiana Department of Commerce, Energy Policy Division, were filed late for the years 2002 and 2003.

Information forwarded to the Indiana Department of Commerce, Energy Policy Division by the County did not include a copy of the executed guaranteed energy savings contract, the energy consumption costs before the date of execution of the guaranteed energy savings contract, (the documentation using industry engineering standards for stipulated savings; and related capital expenditures.

Effective March 21, 2002, Indiana Code 36-1-12.5-10 states:

"The governing body shall:

- (1) provide to the department of commerce not more than sixty (60) days after the date of execution of the guaranteed energy savings contract:
  - (A) a copy of the executed guaranteed energy savings contract;
  - (B) the energy consumption costs before the date of execution of the guaranteed energy savings contract; and
  - (C) the documentation using industry engineering standards for:
    - (i) stipulated savings; and
    - (ii) related capital expenditures; and
- (2) annually report to the department of commerce, in accordance with procedures established by the department of commerce, the savings resulting in the previous year from the guaranteed energy savings contract or utility energy efficiency program."

FOOD AND BEVERAGE TAX FUND

The following problems were noted with the accounting procedures of the Food and Beverage Tax Fund:

Internal Controls

The County receives Food and Beverage Tax revenue in the form of electronic fund transfers from the State. The County then writes a check to the Food and Beverage Tax Trust Fund maintained by First Merchants Bank (Trustee). A review of these transfers to the Trustee revealed untimely deposits. The number of days between the County disbursements date and the date of deposit into the trust account for the monthly deposits were as follows:

BOARD OF COUNTY COMMISSIONERS  
HENRY COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Month	Days to Deposit
January	31
February	4
March	3
April	4
May	12
June	14
July	8
August	1
September	7
October	6
November	8
December	2

Also, the following prescribed forms were not in use for the transactions and balances of the Food and Beverage Tax Fund.

- 352 General Receipt
- 354 General Claim
- 356 General Check
- 358 Ledger of Receipts, Disbursements and Balances
- 359 Ledger of Appropriations, Encumbrances, etc.
- 360 Monthly Financial Depository Statement and reconciliation

Because the County did not maintain these forms, the Food and Beverage Tax Fund was omitted from the County Annual Report prepared by the County.

If all transactions of the Fund were made through the Auditor's recordkeeping system, then all of the necessary forms would be in use and this comment would not apply.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and record, effectiveness and efficiency of operation, 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, Chapter 1)

Condition of Records

We examined accounting records from three sources in order to obtain a complete accounting of the cash transactions and cash and investment balances of the Food and Beverage Tax Fund. The Auditor's ledger presents only an agency fund accounting for the receipts of the monthly food and beverage tax collections from the state of Indiana and the transfer of these tax funds to First Merchants Bank (Trustee). The Trustee did not present the County with bank statements during 2006, nor did the Trustee present the County with a financial report. After a request from the County, the Trustee prepared and presented the Annual Report for 2006 and the 2006 bank statements on July 27, 2007. The financial report that was presented contained an incorrect summary of how funds were spent during 2006.

The Auditor must maintain a record of all transactions in the Food and Beverage Tax Fund as required by the following statute.

BOARD OF COUNTY COMMISSIONERS  
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AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 6-9-25-8 states: "(a) If a tax is imposed under section 3 of this chapter, the county treasurer shall establish a food and beverage tax receipts fund. (b) the county treasurer shall deposit in this fund all amounts received under this chapter. (3) Any money earned from the investment of money in the fund becomes a part of the fund."

CONDITION OF RECORDS - TAX COLLECTION

The following deficiencies relating to the property tax recordkeeping, which were cited in the prior report, were again present during our period of audit:

- (1) The information presented in the tax duplicate and the tax duplicate summary sheets are incomplete or are combined in such a manner that some information can not be traced to the apportionment sheets.
- (2) Charges such as new penalties on old delinquent taxes are not presented separately.

At all times, the manual and computerized records, subsidiary ledgers, and control ledger should agree. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

BOARD OF COUNTY COMMISSIONERS  
HENRY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 26, 2007, with Philip J. Estridge, President of the Board of County Commissioners.