

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

AUDIT REPORT

OF

COUNTY COUNCIL

HENRY COUNTY, INDIANA

January 1, 2006 to December 31, 2006



FILED

12/18/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
County Officials	2
Transmittal Letter	3
Audit Result and Comment: Food and Beverage Tax Fund.....	4-5
Exit Conference.....	6

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
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF HENRY COUNTY

We have audited the records of the County Council 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 Result and Comment. 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

COUNTY COUNCIL
HENRY COUNTY
AUDIT RESULT AND COMMENT

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:

<u>Month</u>	<u>Days to Deposit</u>
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.

COUNTY COUNCIL
HENRY COUNTY
AUDIT RESULT AND COMMENT
(Continued)

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:

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."

COUNTY COUNCIL
HENRY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 26, 2007, with Robert L. Veach, President of the County Council; and Kim L. Cronk, Council member.