

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

AUDIT REPORT

OF

COUNTY AUDITOR

CLARK COUNTY, INDIANA

January 1, 2007 to December 31, 2007



FILED

12/31/2008

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Barbara Bratcher Haas Keith Groth	01-01-04 to 12-31-07 01-01-08 to 12-31-10
President of the County Council	David Abbott	01-01-07 to 12-31-08
President of the Board of County Commissioners	Edward Meyer	01-01-07 to 12-31-08



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 CLARK COUNTY

We have audited the records of the County Auditor for the period from January 1, 2007 to December 31, 2007, 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 Clark County for the year 2007.

STATE BOARD OF ACCOUNTS

December 8, 2008

COUNTY AUDITOR
CLARK COUNTY
AUDIT RESULTS AND COMMENTS

DETAILED EXPENDITURE ACCOUNTS NOT RECORDED

The County Council approved budgeted expenditure by the following major object classification by department for the General Fund and by fund for other County Funds:

<u>Major Object Classification</u>	<u>Description</u>
100	Personal services
200	Supplies
300	Other services and charges
400	Capital outlay

The County Council did not require individual departments to modify the proposed or original budgeted expenditures for minor object classifications (detailed expenditure accounts that when totaled should equal the total appropriation approved by major object classification). As a result, the County Auditor's office did not record disbursements to detailed expenditure accounts. The detailed expenditure accounts (minor object classification) provide a more specific description of the purpose and nature of individual expenditures. Instead, disbursements were recorded to the financial records in broad general expenditure categories (major object classification).

Recording of disbursements to detailed expenditure categories is needed to provide meaningful information on the type and nature of County expenditures and to provide an effective mechanism to monitor budget compliance in order to make informed financial decisions. Budget compliance cannot be effectively monitored and informed decisions made if expenditures are not sufficiently detailed.

For example, by having only a one broad budgeted category for personnel services that included salaries, benefits, and overtime, the County could not readily identify how much of the budget had already been spent during the year for salary workers and their related benefits in order to determine how much would be available in the budget for overtime when needed.

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 County Auditors of Indiana, Chapter 14)

In addition to posting the appropriation account, disbursements shall also be posted to the detail disbursement accounts (or minor expenditure accounts) under each appropriation for which such detail is required. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 6)

We recommend disbursements be recorded in the financial records in sufficient detail categories in order to provide meaningful budget monitoring and identification of the use of funds.

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AUDIT RESULTS AND COMMENTS
(Continued)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Auditor's Office did not comply with directives of Internal Revenue Service. Amounts reported on 1099s for contract service for public defenders did not include all compensation paid. The County allows the public defenders to participate in the County's health insurance plan; however, the public defenders have to pay part of the plan premium. The cost of the insurance premium was deducted from the amount of compensation paid for contract services thus resulting in an under reporting of actual compensation paid for contract services.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

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. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

DISTRIBUTION RECEIPTED TO WRONG FUND

The Emergency Management Performance grant for Fiscal Year 2006 of \$12,846 received December 11, 2007, was erroneously receipted to the Emergency Management Fund (Fund 538), instead of the General Fund. Expenditures for this grant were paid from the General Fund.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

ERRONEOUS PAYMENTS

Controls for payments on contracts by the County were insufficient to prevent duplicate payments and payments made from wrong funds. The follow are examples of erroneous payments that we identified:

Duplicate Payments:

1. Duplicates payments in the amount of \$74,179 were made to Bernardin, Lochmueller and Associates (BLA) for the Ohio River Bridges Project. The duplicate payments were processed from the same invoice and paid from different funds. The duplicate payments resulted from the County having two separate areas for processing project payments. The payments were processed by both River Hills Regional Planning Commission (grant administrator) and by the Administrative Assistant to the Board of County Commissioners.

The duplicate payments were not identified by the County. The duplicate payments were identified by the vendor and refunded by the vendor.

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(Continued)

2. Duplicate payment was made on a contract with Shaw Environmental, Inc., from Fund 277, Landfill Improvements (Fund 277), in the amount of \$214,455. The error resulted from invoices and accounts payable vouchers being submitted for payment by two separate processing streams. The accounts payable voucher paid on September 21, 2007, was certified by Edward Meyer, President of the Board of County Commissioners. The accounts payable voucher paid on September 26, 2007, with the original invoice attached, was certified by the Hyun Lee, County Highway Engineer.

The duplicate payment was not identified by the County. The duplicate payment was identified by the vendor and refunded by the vendor.

The duplicate payments were also caused by a project ledger not being used to monitor contract payments with approved change orders and contract amounts.

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, Chapter 1)

Payments Made from the Wrong Fund:

1. Payments totaling \$59,813 on the Ohio Rivers Bridges Project were paid from the wrong fund.
2. Payments totaling \$45,734 on various road project contracts were paid from funds other than the funds where the grant reimbursements were received to.

The County does not have a system in place to monitor the matching of project expenditures and the specific revenue sources received to finance those expenditures.

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 Auditors of Indiana, Chapter 14)

We recommend that County Auditor and the Board of County Commissioners implement an internal control system that assigns only one employee or agent to initiate the processing of contract payments and to implement a recordkeeping system that will monitor contract payments with approved contract and change order amounts. We also recommend that an internal control system be implemented that would assign an employee or agent to monitor the payment of project expenditures from funds established to finance those expenditures.

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AUDIT RESULTS AND COMMENTS
(Continued)

ANNUAL REPORT

The County Annual Financial Report (CAR-1) for the year 2007 was not prepared, filed with the State Examiner, or advertised as required by statute.

Indiana Code 5-11-1-4(a) concerning annual reports, states in part: ". . . these reports shall be prepared, verified, and filed with the state examiner within thirty (30) days after the close of each fiscal year."

OVERDRAWN FUND BALANCES

The Courthouse Lease Rental Fund, Jail Detention Bond Fund, and Adult Protective Service Fund were overdrawn in 2007 in the amounts of \$619,755, \$205,677, and \$15,796, respectively.

The 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)

DISBURSEMENT APPROVAL

Accounts Payable Register, General Form 364, has been prescribed to provide a mechanism to document approval for the payment of claims by the Board of County Commissioners and certification by the County Auditor of the correctness of the claim.

The prescribed Accounts Payable Register, General Form 364, was not in use during 2007. An alternative computerized form was in use; however, this form did not contain the same headings and information as required by the prescribed form.

Proper procedures were not in place to ensure that all claims were placed on the alternative computerized form submitted to the County Auditor and Board of Commissioners for approval. If disbursements were not required to be advertised, the claims were not placed on the accounts payable register. If claims were processed by someone other than the regular claims clerk, there were not procedures in place to notify the claims clerk of the processing of these transactions for the inclusion on the accounts payable register. There was no proof or reconciling procedure in place between the claims and the computerized register to assure that all claims were properly recorded for submission and approval by the County Auditor and Board of County Commissioners.

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 County Auditors of Indiana, Chapter 14)

Where a mechanized or computerized accounting system is in use, it is permissible to prepare the Register of Claims on an alternate form. The alternate form must contain the same headings and information shown on the prescribed form and if claims are not individually allowed, the form must contain the certification and signatures of the governing body as shown on the prescribed form. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 4)

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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 County Auditors of Indiana, Chapter 14)

A similar comment was made in prior Report B31305.

TRANSFERS BETWEEN FUNDS

Transfers between funds were not properly recorded and identified in the financial records. Several instances were noted in which the receipt transaction recorded in the fund were reported as a transfer in, however, the corresponding disbursement transaction from the appropriate fund was not reported as a transfer out or vice versa. This problem was further complicated by the fact that in several instances the supporting documentation for the transaction did not identify the multiple funds involved in the transfer thus making it difficult to determine which funds were involved in the financial activity to ensure proper financial reporting.

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 County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR
CLARK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 8, 2008 and December 9, 2008, with Keith Groth, Auditor; and Barbara Batchner Haas, former Auditor. The officials concurred with our audit findings.

The contents of this report were discussed on December 8, 2008, with Edward Meyer, President of the Board of County Commissioners.

The contents of this report were also discussed on December 11, 2008, with David Abbott, President of the County Council; and Jack Coffman, Vice-President of the County Council.