

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

AUDIT REPORT

OF

COUNTY HEALTH DEPARTMENT

MONTGOMERY COUNTY, INDIANA

January 1, 2010 to December 31, 2010



**FILED**

12/30/2011



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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Health Officer	Dr. Carl B. Howland	01-01-10 to 12-31-11
President of the County Council	Richard Chastain	01-01-10 to 12-31-11
President of the Board of County Commissioners	Phillip Bane	01-01-10 to 12-31-11



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TO: THE OFFICIALS OF MONTGOMERY COUNTY

We have audited the records of the County Health Department for the period from January 1, 2010 to December 31, 2010, 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 Montgomery County for the year 2010.

STATE BOARD OF ACCOUNTS

October 19, 2011

COUNTY HEALTH DEPARTMENT  
MONTGOMERY COUNTY  
AUDIT RESULTS AND COMMENTS

***INTERNAL CONTROLS***

The Health Department has a lack of segregation of duties. Control activities should be selected and developed at various levels of the Health Department to reduce risks to achievement of financial reporting objectives. The Health Department has not separated incompatible activities related to receipts, disbursements, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.

The computer software program, Win Records, only required the user to type his or her name as the user and a password was not required. After a receipt was issued, the software program allowed a user to alter the information on the original receipt without retaining an audit trail.

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)

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 of Indiana, Chapter 1)

***ACCOUNTABLE ITEMS***

The Health Department issues septic permits, water lab tests, vaccinations, birth certificates, and death certificates. The State Board of Accounts was contacted by the Crawfordsville City Police, who provided evidence that receipts issued by the Health Department had been later altered within the Health Department's computer system. An investigation was conducted to determine the value of the altered and missing receipts for the Health Department.

Septic permits are issued numerically (1-10, 2-10, etc.) ending with the year issued. The first and last number issued for each year was documented and verified that all permits in between were issued. Each permit number was traced to a hard copy file. The file should have contained a copy of the permit and a receipt for payment. Information was verified on the permit and compared to the receipt information. The receipt was traced to the Listing of Sales Report/Receipt Journal to verify the name was the same. The information was also verified to the excel spreadsheet that Health Department employee Adrienne Northcutt created. The hard copy files were examined to gather additional information as needed. All septic permits for 2009 had supporting documentation except for two. Payment of \$75 for septic permit 65-09 and payment of \$125 for septic permit 93-09 could not be traced to the Receipt Journal/Sales Report. Therefore, \$200 was determined to be missing from receipts collected in 2009. All septic permits for 2010 had supporting documentation except for one. Septic permit 49-10 was paid by Steve Dutcher with cash of \$75; this receipt was replaced with a receipt to Rebecca Enrico for \$8. Therefore, \$75 was determined to be missing from receipts collected in 2010. There were not any septic permits issued in 2011 during the first five weeks of the year.

COUNTY HEALTH DEPARTMENT  
MONTGOMERY COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

The Health Department offers water lab testing. The Health Department keeps an excel log that lists the sample number, the customer name, and whether the sample was satisfactory or unsatisfactory. Each sample listing was traced to its individual water lab report. The total fees that should have been collected were compared to the report of collections that was filed with the County Auditor. For 2009, there was a shortage of \$1,340, and for 2010, there was a shortage of \$1,041. The 2011 water lab test reports were traced to individual receipts. Five of those reports did not trace to a receipt. For the first five weeks of 2011 there was a shortage of \$50.

The Health Department offers various vaccinations. The TB test is one of the most common administered. Rebecca Lang, RN, the Health Nurse, provided us with the TB Administration Records for the examination period. Any person receiving a vaccination has to complete the form and sign it. These forms were documented and traced to an individual receipt on the Receipt Journal/Sales Report. Each TB vaccination costs \$20. For 2009, \$380 of receipts were not deposited; for 2010, \$580 of receipts were not deposited; and for 2011, \$120 of receipts were not deposited.

The actual number of birth and death certificates issued could not be determined because the County does not maintain an inventory of the certificates. Additionally, the certificates are not issued in sequential order. We inventoried the certificates on hand at the beginning of our investigation and determined that all certificates were from the most recent order. The County's vendor, Standard Register, prints and delivers the birth and death certificates to the Health Department.

We were able to obtain how many birth and death certificates were printed by Standard Register for the Health Department each year. Based on that information, an average of 2,000 birth certificates and 2,000 death certificates were sold each year. A copy of a birth or death certificate costs \$7 over the counter and \$8 through the mail. We could not determine how many were sold by using the mail system so we used \$7 for our computation. Based on this computation \$14,000 should have been collected for birth certificates and \$14,000 should have been collected for death certificates each year. We compared this amount to the Report of Collections that was filed with the County Auditor. Estimated birth certificate shortages were \$412, \$3,258, \$4,297, \$6,412, and \$6,252 for the years 2006-2010, respectively. Death certificate shortages were estimated to be \$660, \$4,517, \$2,317, \$3,307, and \$3,808 for the years 2006-2010, respectively.

Missing receipts have been summarized per category:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Totals</u>
Septic permits	\$ -	\$ -	\$ -	\$ 200	\$ 75	\$ -	\$ 275
Water lab test	-	-	-	1,340	1,041	50	2,431
TB test	-	-	-	380	580	120	1,080
Birth certificates	412	3,258	4,297	6,412	6,252	-	20,631
Death certificates	<u>660</u>	<u>4,517</u>	<u>2,317</u>	<u>3,307</u>	<u>3,808</u>	<u>-</u>	<u>14,609</u>
Total missing funds	<u>\$ 1,072</u>	<u>\$ 7,775</u>	<u>\$ 6,614</u>	<u>\$ 11,639</u>	<u>\$ 11,756</u>	<u>\$ 170</u>	<u>\$ 39,026</u>

As a result of our investigation, we estimate the Health Department is missing \$39,026. The County's computer system allowed users to edit a receipt if it was on the same day it was issued. The original receipt information did not show on any report from the system. However, the system does provide a report showing which receipts were edited. This report and the receipts ledger show the name of

COUNTY HEALTH DEPARTMENT  
MONTGOMERY COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

the person issuing or changing the receipt. Almost all edited receipts indicated the same user. Additionally, the amount of funds deposited from this user is low in comparison to other employees of the Health Department. Because users of the system are able to log on the system without a password and the same user ID can be used to log on to several computers within the Health Department at the same time, we did not during this audit determine the responsible person. The Indiana State Police continues to investigate this matter.

Tickets, goods for sale, billings, and other collections are considered accountable items for which a corresponding deposit must be made in the bank accounts of the governmental unit.

The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payors. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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. . . ."

**AUDIT COSTS**

The State of Indiana incurred additional audit fees in the investigation of the missing funds.

Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY HEALTH DEPARTMENT  
MONTGOMERY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 19, 2011, with Phillip Bane, President of the Board of County Commissioners; Dr. Carl B. Howland, Health Officer; Shari Harrington, Sanitarian; and Michelle R. Cash, Auditor. The officials concurred with our audit findings.

Thomas D. Sarver, Attorney for Lindsey Fullenwider, was present for the exit conference.

COUNTY HEALTH DEPARTMENT  
MONTGOMERY COUNTY  
SUMMARY

	<u>Costs</u>
Accountable items, pages 4 through 6:	
Estimated missing receipts:	
Septic permits	\$ 275
Water lab reports	2,431
TB test	1,080
Birth certificates	20,631
Death certificates	<u>14,609</u>
 Total	 <u>\$ 39,026</u>