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

AUDIT REPORT

OF

BOARD OF COUNTY COMMISSIONERS

CLARK COUNTY, INDIANA

January 1, 2011 to December 31, 2011

FILED
09/13/2012

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COUNTY OFFICIALS

Office	Official	Term
President of the County Council	Kevin Vissing	01-01-11 to 12-31-11
	Barbara Hollis	01-01-12 to 12-31-12
President of the Board of County Commissioners	M. Edward Meyer	01-01-11 to 12-31-11
	Les Young	01-01-12 to 12-31-12

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 Board of County Commissioners for the period from January 1, 2011 to December 31, 2011, 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 2011.

STATE BOARD OF ACCOUNTS

August 14, 2012

APPROPRIATIONS

A budget was prepared by the Board of County Commissioners and presented for approval to the County Council for the General Obligation Bonds 2005 Fund and the Board of Aviation Fund. The County Council approved the budget as presented and the amounts were entered in the appropriation ledger by the County Auditor. The Department of Local Governmental Finance (DLGF) reviewed the budget and ordered a reduction to the amounts approved by the County; however, the County failed to reduce the budget of the funds to the amounts approved by DLGF. Expenditures were made from the 2010 Building Authority Bond Fund and Board of Aviation Fund without obtaining approval of additional appropriations by the DLGF. As a result expenditures were made in excess of budgeted appropriations as follows:

Fund	Excess Amount Expended
General Obligation Bonds 2005	$ 96,900
Board of Aviation	180,584

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

In addition, the following local funds established through Home Rule Statute had expenditures made which were not appropriated or expenditures exceeded the appropriated amount:

Fund	Excess Amount Expended
County Adult Facility Usage Fund	$ 423,945

Indiana Code 36-2-5-2(b) states: "The county fiscal body shall appropriate money to be paid out of the county treasury, and money may be paid out of the treasury only under an appropriation made by the fiscal body, except as otherwise provided by law."

Indiana Code 36-1-2-6 defines fiscal body as the county council.

ACCOUNTING FOR CAPITAL ASSETS

Detailed records of capital assets were not presented for audit. A formal policy regarding accounting for capital assets was not presented.

Based upon our review and testing of accounting controls and our discussion with County personnel, the following deficiencies were noted regarding the County's controls over capital assets:

1. Formal procedures are not in place whereby the County departments notify the County Auditor's office of assets purchased and provide the necessary information to properly identify the asset for inclusion on the County's capital asset record. As a result, not all assets are being included on the County's capital asset records. Failure to properly identify assets owned by the County could result in assets not being properly insured in event of a loss.

2. Procedures do not exist whereby County departments notify the County Auditor's office of asset disposals. Failure to identify assets disposals results in the overstatement of assets per the County's asset records and the potential for additional cost of insurance for assets the County no longer owns.

3. No information was presented for audit to indicate that an inventory of assets was performed and compared to an up-to-date asset record in recent years. Failure to perform an inventory of capital assets and compare it with its records weakens the County's ability to identify problems with assets losses due to theft and to ensure proper insurance coverage of its assets.

4. Asset tags are not used to identify property owned by the county and for identification in its asset records. Asset tags are used to readily identify property that is owned by the County and to provide an identification system for assets that do not have another unique identification number, such as, a serial number. Failure to utilize a tagging system jeopardizes the County's ability to properly identify assets on hand with the assets reported on its records and increases the risk of theft due to properly identifying the assets as belonging to the County.

5. Projects ledgers are not properly maintained for constructions projects in order to allow for the cost of the project assets to be incorporated in the County's capital asset records at the completion of the project.

6. The County does not have a system in place whereby assets that are highly susceptible to theft due to their size and nature and are not of a significant value to be included in its formal capital asset record are properly identified. Failure to have proper controls over assets could result in the loss of the items and the additional expenses to the County for replacement.

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 managements' 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)

Every governmental unit should have a complete inventory of all fixed assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter1)

HEALTH INSURANCE BENEFITS FOR RETIREES

All County Retirees

The County contributes $250 per month per retiree towards the cost of monthly health insurance premiums for all County retirees including retirees of the Sheriff's Department. The amount paid by County is paid from the General Fund. Ordinance 5-1997, regarding health insurance benefits, was presented for audit. Ordinance 5-1997 states that the County shall contribute $100 toward the monthly premium of a retired employee. The County is paying $250 per month on 13 retirees as of June 18, 2012.

The County also contributes $250 per month per retiree towards the cost of Medicare supplemental insurance for all County retirees including retirees of the Sheriff Department. The amount paid by County is paid from the General Fund. No policy or ordinance was presented for audit authorizing the County to contribute toward the cost of a retiree's Medicare supplemental insurance. The County is paying $250 per month on 31 retirees as of June 18, 2012.

Ordinance 5-1997, states that it is an amendment #4 to the employees' handbook; however, the employee handbook presented for audit did not contain policy information regarding such items as retiree eligibility requirements, definition of "retired employee," type of coverage(s) provided, and duration of coverage.

All types of employee benefits should be detailed in a written policy. Payments for expenses not authorized in a written policy cannot be allowed. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 5)

Sheriff's Department – Retirees' Spouses

Ordinance 13-1997, regarding health insurance benefits for Sheriff's Department employees, was presented for audit. Ordinance 13-1997, Section H states: "The Clark County Auditor shall establish a fund to be known as the Sheriff's Retiree Group Insurance Fund. The Auditor shall withhold from each salary, payment of each active full-time Clark County Sheriff's employee, the amount of Five Dollars ($5.00) per pay, and shall place said withholding in the Clark County Sheriff's Retiree Group Insurance fund. From said fund the Auditor shall pay the 'Retired employee's share' for group health insurance benefits, as set out above, and the Auditor shall also pay from said fund the premiums for eligible retiree's Medicare supplemental insurance." The County Auditor established a fund per ordinance 13-1997, however; the fund was titled "Police Insurance Deductions" not the Sheriff's Retiree Group Insurance Fund as instructed in the ordinance.

The County contributes $250 towards the cost of a retiree from the General Fund (see section titled "All County Retirees"). It is the County's practice to pay the difference between the total cost of a retiree's monthly health insurance premium and the $250 monthly County contribution (paid from the General Fund) from the Clark County Sheriff's Retiree Group Insurance Fund aka the Police Insurance Deductions Fund established by Section H of Ordinance 13-1997.

The County was also paying for insurance coverage for two spouses of retirees of the Sheriff's Department. The cost being paid by the County was the difference between the insurance premium cost for coverage for a retiree and spouse and the County's contribution (see section titled "All County Retirees"). Ordinance 13-1997, Section C states: "Group health insurance benefits shall be available to the retiree's eligible spouse." However, the ordinance does not address how the costs for coverage of the spouse will be paid.

In March of the year 2011, the County made a determination that a surviving spouse of a Sheriff Department retiree, who had been receiving insurance coverage since the year 2007, was only eligible to receive benefits in the amount of the County's contribution toward the cost of monthly insurance premiums per Ordinance 5-1997 (see section titled "All County Retirees"). The remaining cost of the health insurance premium is the responsibility of the surviving spouse. However, the County continued to provide the full cost of the insurance coverage to this spouse as of July 31, 2012.

Ordinance 4-2001 states in part: "(1) Any insurance payments other than payroll deductions must be in the office of the County Auditor not later than the first day each month to continue coverage. (2) Failure to have payment in the office of the county auditor by the above date will result in immediate termination of coverage."

All types of employee benefits should be detailed in a written policy. Payments for expenses not authorized in a written policy cannot be allowed. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 5)

Funding Source of Health Insurance Cost of Sheriff's Department Retirees – Conflicting Ordinances

The County contributes $250 per month towards the cost of health insurance premiums and $250 towards the monthly cost of Medicare supplemental insurance for retired employees of the Sheriff's Department. It has been the County's practice to fund the County's $250 monthly contribution from the General Fund based on Ordinance 5-1997 dated May 6, 1997. However, Ordinance 13-1997 (dated November 18, 1997), Section J states: "All previous Ordinances providing group health insurance coverage to retired Sheriff's employees are superseded by this Ordinance and hereby repealed."

As a result, we were unable to determine if the $250 monthly County contribution for health insurance and the $250 monthly Medicare supplemental insurance contributions should be funded from the General Fund or from the Clark County Sheriff's Retiree Group Insurance Fund aka Police Insurance Deductions Fund established by Section H of Ordinance 13-1997 that states the following:

> "The Clark County Auditor shall establish a fund to be known as the Sheriff's Retiree Group Insurance Fund. The Auditor shall withhold from each salary, payment of each active full-time Clark County Sheriff's employee, the amount of Five Dollars ($5.00) per pay, and shall place said withholding in the Clark County Sheriff's Retiree Group Insurance fund. From said fund the Auditor shall pay the "Retired employee's share" for group health insurance benefits, as set out above, and the Auditor shall also pay from said fund the premiums for eligible retiree's Medicare supplemental insurance."

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 Counties of Indiana, Chapter 5)

EMPLOYEE HEALTH INSURANCE BENEFITS

A written policy or ordinance was not presented for audit in order to determine the amount paid by the County on behalf of the employees for insurance benefits was in agreement with the approved amount.

All types of employee benefits should be detailed in a written policy. Payments for expenses not authorized in a written policy cannot be allowed. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 5)

BOARD OF COUNTY COMMISSIONERS
CLARK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 14, 2012, with M. Edward Meyer, Vice-President of the Board of County Commissioners, and Brian Lenfert, Vice-President of the County Council.