B42437

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

AUDIT REPORT

OF

COUNTY AUDITOR

LAGRANGE COUNTY, INDIANA

January 1, 2012 to December 31, 2012

FILED
08/01/2013

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COUNTY OFFICIALS

Office	Official	Term
Auditor	Kay M. Myers	01-01-11 to 12-31-14
President of the County Council	John A. Price	01-01-12 to 12-31-12
	Peter Cook	01-01-13 to 12-13-13
President of the Board of County Commissioners	George R. Bachman	01-01-12 to 12-31-12
	John A. Price	01-01-13 to 12-31-13

STATE OF INDIANA
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TO: THE OFFICIALS OF LAGRANGE COUNTY

We have audited the records of the County Auditor for the period from January 1, 2012 to December 31, 2012, 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 Financial Statement and Federal Single Audit Report of LaGrange County for the year 2012.

STATE BOARD OF ACCOUNTS

July 8, 2013

LACK OF INTERNAL CONTROL - MINUTES OF THE COUNTY COMMISSIONERS STAFF MEETINGS

As mentioned in prior Reports B41566 and B41567, we noted the following deficiencies in the internal control system of LaGrange County related to reporting:

1. No signed minutes of the County Commissioners staff meetings were presented for audit. The only documentation presented were unsigned Memorandums for each meeting, that detailed the date, time, and place of the meeting, the members of the governing body that were present or absent, and a choice of three generic statements of the general substance of all matters proposed. Although there is no requirement that the County Commissioners sign the minutes, it is a good internal control procedure to do so. Their signatures provide verification that they approve what is written in the minutes.

2. As stated above, the memorandums included a choice of three generic statements of the general substance of all matters proposed. These choices were as follows:

   a. To receive information or recommendations, in order to carry out administrative functions; or

   b. To carry out administrative functions; or

   c. To confer with staff members on matters relating to the internal management of the unit.

No other details were included on the memorandums and we were unable to determine what was actually discussed or what actions were taken, if any, resulting in a lack of audit trails.

Indiana Code 36-2-2-11(a) states in part: "The county auditor shall attend all meetings of, and record in writing the official proceedings of, the executive."

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operation, proper execution of management's objectives, and compliance with the 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 of proper internal control.

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 Manuals for County Auditors of Indiana, Chapter 14)

Indiana Code 5-14-1.5-4(b) states:

"As the meeting progresses, the following memoranda shall be kept:

(1) The date, time, and place of the meeting.

(2) The members of the governing body recorded as either present or absent.

(3) The general substance of all matters proposed, discussed, or decided.

(4) A record of all votes taken, by individual members if there is a roll call.

(5) Any additional information required under IC 5-1.5-2-2.5."

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING - PAYROLL PROCESSING

We noted several deficiencies in the internal control system of the County related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the County to reduce risks to the achievement of financial reporting objectives. The County has not separated incompatible actives related to payroll and related liabilities. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. The County's payroll processing is handled primarily by one staff person in the County Auditor's office. The payroll staff person inputs the information from the departments' payroll vouchers into the computerized payroll system, issues the payments for employee benefits and related payroll expenses, and reconciles the direct deposit listing to a detailed employee list.

Monitoring of Controls: Effective internal control over financial reporting requires the County Auditor and the Board of County Commissioners to monitor and assess the quality of the County's system of internal control. The County Auditor and the Board of County Commissioners have not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility place the County at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the County has no process to identify or communicate corrective actions to improve controls.

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.

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)

COUNTY AUDITOR
LAGRANGE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 8, 2013, with Kay M. Myers, Auditor; John A. Price, President of the Board of County Commissioners; and Peter Cook, President of the County Council. The Official Response has been made a part of this report and may be found on page 7.

LaGrange County Auditor

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July 19, 2013

Mr. Bruce Hartman,
302 W. Washington St. E418
Indianapolis, IN 46204

Dear Mr. Hartman,

This letter is in response to the 2012 LaGrange County Audit.

LACK OF INTERNAL CONTROL – MINUTES OF THE COUNTY COMMISSIONERS STAFF MEETINGS

The memoranda from the County Commissioners staff meetings are approved by the County Commissioners in the County Commissioners meetings and is documented in the Commissioner's minutes. The memoranda will be signed by the County Commissioners and the County Auditor. The memoranda lists the general substance of all matters proposed.

DEFICIENCY IN INTERNAL CONTROL – SEGREGATION OF DUTIES

The LaGrange County Auditor has implemented procedures to segregate the financial duties in the area of payroll. The Employee's Attendance Reports (Form A-4) from the departments will be submitted to the payroll deputy for review. These vouchers will also be reviewed by the County Auditor. The payroll deputy will process the vouchers and prepare them for payment. The distribution report will be reviewed and approved by the County Auditor prior to the distribution of payroll. Once the County Auditor approves the distribution report, the report is processed for payment of payroll. All payroll withholding Accounts Payable Vouchers and all payroll vouchers will be reviewed and signed by the County Auditor, prior to payment.

Sincerely,

Kay Myers

Kay Myers,
LaGrange County Auditor