

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

AUDIT REPORT

OF

COUNTY AUDITOR

MONROE COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED
09/25/2013

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Amy Gerstman Steve Saulter	01-01-09 to 12-31-12 01-01-13 to 12-31-16
President of the Board of County Commissioners	Patrick Stoffers Mark Stoops Iris F. Kiesling	01-01-12 to 03-23-12 03-24-12 to 11-16-12 11-17-12 to 12-31-13
President of the County Council	Victor Kelson Geoff McKim	01-01-12 to 03-12-12 03-13-12 to 12-31-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF MONROE 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 Result and Comment. The financial transactions of this office are reflected in the Financial Statement and Federal Single Audit Report of Monroe County for the year 2012.

STATE BOARD OF ACCOUNTS

August 14, 2013

COUNTY AUDITOR
MONROE COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS – FINANCIAL TRANSACTIONS AND REPORTING

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

We noted numerous posting errors in the financial ledger relates to the settlement funds, commercial vehicle excise tax, and financial institution tax; and other County funds. Corrections were necessary for errors made by a part time employee who processed accounts payable vouchers during the first six months of the year. Correcting entries were made without proper review and approval by someone other than the person involved in posting them. All corrections should be reviewed and approved by someone who is not involved in posting the financial ledger.

Several employees in the Auditor's office issue checks for various purposes, including refunds, property tax settlement, and other miscellaneous expenditures; however, not all of these expenditures and the related documentation had been subjected to the same control procedures as the regular accounts payable vouchers. These expenditures were included on the claim dockets. For example, in most instances the Certificate of Tax Distribution Form 22 for the tax increment funds did not have clear documentation as to which Form 22 were paid on one check, or the name of the governmental unit the amounts were paid to.

In some instances, the transactions related to County Option Income Tax and Settlement were posted to incorrect accounts within the respective funds. As a result, the receipt and disbursement transactions reported on the County's financial statements were understated by these amounts. Audit adjustments were proposed, approved by the current County Auditor, and made to the County's financial statements.

Accounts payable checks were distributed by the County Auditor's staff to the department that initiated the disbursement for mailing to the vendors. No controls were in place to ensure misappropriation did not occur as a result of this process.

COUNTY AUDITOR
MONROE COUNTY
AUDIT RESULT AND COMMENT
(Continued)

INTERNAL CONTROLS AND SEGREGATION OF DUTIES - PAYROLL

The County Auditor's payroll employee processed the County payroll. This employee was also responsible for calculating and making all employee and employer benefit payments. Supporting documentation for these payments were retained in the payroll files; however no review of the documentation was completed by another employee, nor were the checks and/or electronic payments compared to the supporting documentation by any other County employee. No review or approval was conducted on changes made to the payroll amounts or on the payroll employee's own pay, deductions, or W-2. There was no independent verification for ensuring that the payroll system reports agreed to the amounts that were processed for direct deposits.

Also, there was no review and/or analysis of the Payroll Clearing Fund for 2012, to ensure that the various subaccounts that make up this fund were posted properly and that the balances, if any, were correct and owed for unpaid and/or outstanding obligations.

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 County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR
MONROE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 14, 2013, with Steve Saulter, Auditor. The official concurred with our audit findings.