

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

JENNINGS COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
01/06/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Janice L. Ramey Kay Sue Vance	01-01-11 to 12-31-14 01-01-15 to 12-31-18
County Treasurer	Sandra L. Vance	01-01-13 to 12-31-16
Clerk of the Circuit Court	Mary Dorsett Kilgore	01-01-11 to 12-31-18
County Sheriff	Steve Hoppock Gary M. Driver	01-01-11 to 12-31-14 01-01-15 to 12-31-18
County Recorder	Lisa Jines-Plessinger Janice L. Ramey	01-01-11 to 12-31-14 01-01-15 to 12-31-18
President of the Board of County Commissioners	Matt Sporleder	01-01-13 to 12-31-15
President of the County Council	Dave Kopitzke Howard L. Malcomb	01-01-13 to 10-13-13 10-14-13 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF JENNINGS COUNTY, INDIANA

This report is supplemental to our audit report of Jennings County (County), for the period from January 1, 2013 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the County, which provides our opinions on the County's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

September 16, 2015

COUNTY AUDITOR
JENNINGS COUNTY

COUNTY AUDITOR
JENNINGS COUNTY
FEDERAL FINDINGS

***FINDING 2013-001 - FINANCIAL RECORDS AND REPORTING -
COUNTY AUDITOR AND COUNTY TREASURER***

The County failed to design and implement effective controls over the financial accounting records used to prepare the financial statement, including Notes to Financial Statement, in order to prevent, or detect and correct, material misstatements. We consider the issues in internal controls to be a material weakness.

The County Auditor and County Treasurer did not properly maintain the County's financial ledgers, records, and bank reconcilements during the audit period.

1. Reconcilement of the County's Financial Ledgers - The County Auditor and the County Treasurer did not reconcile their Funds Ledger balances and transactions. There were no procedures in place to close out their financial ledgers monthly or at year end. As of December 31, 2013, the County Auditor's Funds Ledger balance was \$8,184,584, while the Treasurer's Daily Balance of Cash Depositories (Cash Book) balance was \$6,470,584, a difference of \$1,714,000.
2. Reconcilement of the County's Bank Accounts to the County Treasurer's Cash Book - From January 1, 2013 to December 31, 2013, and through March 31, 2015, bank reconcilements of the bank statement balances to the County Treasurer's Cash Book balances were not provided for audit. During the audit, the following issues were noted:
 - Outstanding check list included checks which had been voided on the County Auditor's Funds Ledger.
 - Multiple electronic fund transactions from outside sources, totaling \$279,286, were deposited to the County's bank accounts during 2013, but were not recorded to the County Auditor's Funds Ledger or the County Treasurer's Cash Book.

Similar issues of the County Treasurer not reconciling the County's bank accounts with the County Treasurer's Cash Book were noted in the 2009, 2010, 2011, and 2012 audit reports.

Due to the weaknesses in internal controls and the condition of records, material misstatements of the financial statement were identified; however, additional misstatements may exist and remain undetected.

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 Treasurers of Indiana, Chapter 10) (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR
JENNINGS COUNTY
FEDERAL FINDINGS
(Continued)

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

Regardless of the source of a receipt or the purpose of a disbursement, all funds of the county must be accounted for in the records of the county auditor and reconciled with the records of the county treasurer. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 5)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 10) (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

DUTIES TO BE PERFORMED EACH MONTH:

- | | |
|------------------|--|
| 1st Day of Month | Balance and prove all records at close of preceding month, prepare monthly financial statement, and reconcile with statement prepared by county auditor. |
| | Check depository statements and prepare reconciliation with each depository. |

(Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

FINDING 2013-003 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - COUNTY AUDITOR

The County failed to design and implement a proper system of internal control, which would include segregation of duties, related to the preparation of the Schedule of Expenditures of Federal Awards (SEFA). There was no evidence that grant information included in the SEFA was reviewed or verified for accuracy or was derived from the financial records used to prepare the financial statement. We consider the issues in internal controls to be a material weakness.

During the audit of the Schedule of Expenditures of Federal Awards (SEFA), we noted the following errors:

1. Not all federal grants were included.
2. Some state grants were included.
3. One grant included local matching funds.
4. One grant reported the incorrect breakdown between state and federal share.

COUNTY AUDITOR
JENNINGS COUNTY
FEDERAL FINDINGS
(Continued)

5. Some grants were reported as reimbursement grants instead of advance funded grants.
6. Federal agency or state agency information was not always correct.
7. Some CFDA numbers were incorrect.
8. Some program names and/or program numbers were either incorrect or not reported.

Audit adjustments were proposed, accepted by the County, and made to the SEFA presented in the report. However, due to the weaknesses in internal controls and the condition of records, material misstatements of the SEFA could remain undetected.

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)

OMB Circular A-133, Subpart C, section __.300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the Schedule of Expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.

COUNTY AUDITOR
JENNINGS COUNTY
FEDERAL FINDINGS
(Continued)

- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance . . ."

FINDING 2013-004 - FINANCIAL REPORTING - COUNTY AUDITOR

The County failed to design and implement effective controls over the preparation of the financial statement, including Notes to Financial Statement in order to prevent, or detect and correct, material misstatements. We consider the issues in internal controls to be a material weakness.

The following deficiencies in internal controls related to financial transactions and reporting were noted:

1. The County did not have procedures in place to identified risks to the preparation of a reliable financial statement.
2. The County did not have adequate procedures in place to ensure the financial information provided in the Annual Financial Report, which is used to compile the financial statement, was accurate.
3. The County did not have adequate procedures in place to ensure that all departments were included on the County's financial statement.

As a result, financial transactions and cash balances for the following departments were not included in the financial statement: County Treasurer, Clerk of the Circuit Court, and County Sheriff. Due to the conditions of records, we were not able to propose adjustments for those departments. Therefore, they were not included in the financial statement presented in this report.

Due to the weaknesses in internal controls and the condition of records, material misstatements of the financial statement were identified; however, additional misstatements may exist and remain undetected.

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)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

COUNTY AUDITOR
JENNINGS COUNTY
FEDERAL FINDINGS
(Continued)

FINDING 2013-005 - FINANCIAL TRANSACTIONS - COUNTY AUDITOR

The County failed to design and implement effective controls over the recording of financial transactions, including adjusting entries, to prevent, or detect and correct, material misstatements. We consider the issues in internal controls to be a material weakness.

The County Council contracted with an accounting firm, who prepared management reports including numerous adjustments that the firm recommended to the County Auditor's Funds Ledger. During 2013, numerous transactions were recorded in the County Auditor's Funds Ledger as reclassifications or adjustments. Many of these transactions were based on the management reports; however, the documentation provided for audit was not adequate to determine whether the entries were made from the management reports or from an Auditor's employee. Many of the software reports detailing recorded transactions were not retained for audit. As a result, we were not able to determine who recorded the transactions or why the transactions were recorded. There was no evidence that these transactions were subjected to a review or approval process.

Additionally, the County did not have proper procedures in place to ensure that all receipt and disbursement transactions were recorded in the County Auditor's Funds Ledger or recorded in a timely manner.

The following issues were noted during the audit:

1. Numerous transactions were recorded in 2014 and 2013, but were backdated to 2013 and 2012, respectively, in the County Auditor's Funds Ledger. In most instances, these entries were identified in the County Auditor's Funds Ledger as "recoding," "correction of error posting," or "recoded to CEDIT." Included in these transactions were proceeds from a general obligation bond and redevelopment bond totaling \$2,166,850 which was received on December 20, 2013, and recorded in the County Treasurer's Cash Book on February 13, 2014, but backdated in the County Auditor's Funds Ledger to December 20, 2013.
2. Some electronic funds transfer (EFT) disbursements were made from the County's bank account and not recorded in the County Auditor's Funds Ledger. EFT payments of \$80,000 for contracted legal services in 2013, and \$101,009 for contracted financial consulting services in 2014 were issued and not recorded.
3. Some electronic deposits were made into the County's bank account and not recorded in the County Auditor's Funds Ledger in a timely manner. A total of \$245,645 was received electronically in 2013, and not recorded to the County Auditor's Funds Ledger until 2014. The electronic deposits included a U.S. Department of Commerce federal grant reimbursement of \$194,369 received on December 11, 2013, and an additional four deposits totaling \$44,974 that the County Auditor's staff were unable to identify as being recorded in 2013.

Due to the weaknesses in internal controls and the condition of records, material misstatements of the financial statement were identified; however, additional misstatements may exist and remain undetected.

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.

COUNTY AUDITOR
JENNINGS COUNTY
FEDERAL FINDINGS
(Continued)

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)

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 16)

Public records, financial statement information and supporting information generated through a computer system should be printed out on paper, printed to disk or maintained on-line at the end of each reporting year and retained for audit. Information must be maintained in a manner that will allow access for audit and public inquiry on equipment of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

FINDING 2013-006 - PAYROLL - COUNTY AUDITOR

The County failed to design and implement effective controls over payroll to prevent, or detect and correct, material misstatements. We consider the issues in internal controls to be a material weakness.

The following deficiencies in internal controls related to payroll were noted:

1. The County had not established proper controls to verify salaried employees have worked the required hours prior to being paid. Salaried employees were paid to date each pay. The Payroll Schedule and Voucher (General Fund No. 99) were submitted by the department head or official approximately seven days prior to the end of each pay period. As a result, the department head or responsible official was certifying employees' time prior to it actually being worked.
2. Salaried employees did not fill out and/or sign payroll worksheets or timesheets for each pay period certifying their time. Employee service records were kept by the departments and/or the individual employee, and not turned into the County Auditor's Office. As a result, there was no independent verification that County employees were complying with the County's personnel policies concerning hours worked, leave time, and compensatory time earned, taken, and balances.
3. An employee in the County Auditor's Office processed payroll, all employee benefits, and most employer benefit payments. The same employee also prepared the direct deposit reports, transmitted those reports to the bank, and recorded the payroll to the budget accounts. The employee prepared the quarterly tax reports, and prepared the W-2s. Any corrections or adjustments were also prepared by this employee. No evidence was presented of review or approval of these payroll transactions.
4. No evidence of verification was presented for ensuring that the payroll system reports agreed to the amounts that were processed for direct deposits.
5. No evidence of verification was presented for audit that the amounts being paid to the employees was for the appropriate amount or that timesheets and payroll claim vouchers were signed by the official or department head.

COUNTY AUDITOR
JENNINGS COUNTY
FEDERAL FINDINGS
(Continued)

6. No evidence was presented for audit that a review of the payroll withholding funds were recorded properly and that the balances, if any, were correct.

Due to the weaknesses in internal controls and the condition of records, some audit procedures could not be performed to verify some payroll information related to financial statement transactions; therefore material misstatements may exist and remain undetected.

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)

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 16)

FINDING 2013-007 - DISBURSEMENTS - COUNTY AUDITOR

The County failed to design and implement effective controls over disbursements to prevent, or detect and correct, material misstatements. We consider the issues in internal controls to be a material weakness.

The following deficiencies in internal controls system related to disbursements were noted:

1. The County Auditor did not have sufficient internal controls to ensure that adequate documentation was maintained to support the validity of disbursement transactions. As a result, the following issues regarding documentation were noted:
 - a. Numerous accounts payable vouchers which were not presented for audit.
 - b. Accounts payable vouchers were not prepared for employee withholdings and employer provided benefits.
 - c. Numerous check registers or other software generated documents were not retained for audit. A separate method of tracking check numbers was not performed; therefore, numerous check numbers could not be accounted for.
 - d. Some voided checks were not retained for audit.
2. The County Auditor's staff did not have internal controls over the issuing of accounts payable checks to ensure that only authorized transactions were paid. The following control issues were noted:

COUNTY AUDITOR
JENNINGS COUNTY
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(Continued)

- a. Proper procedures were not in place to accumulate accounts payable vouchers, audit those accounts payable vouchers, and then issue checks.
 - b. Adequate procedures were not in place to ensure that these checks complied with Ordinance #03-02, "An Ordinance to Establish Pre-Payment Procedures."
 - c. Proper internal controls were not in place to ensure that all accounts payable vouchers were audited for accuracy and were authorized prior to payment. Procedures were not in place to ensure that the County Auditor or her designee (other than the person issuing the checks) reviewed and signed the accounts payable vouchers or reports, and were then approved and signed by the County Commissioners. Several instances were noted where accounts payable vouchers and/or accounts payable vouchers reports were not certified by the appropriate personnel and/or governing board.
 - d. Adequate controls were not in place to ensure that all accounts payable vouchers were included on the accounts payable voucher reports.
3. No evidence that the County Auditor had approved or submitted the individual County employees' gross pay reports for the County Commissioners' approval.

Due to the weaknesses in internal controls and the condition of records, some audit procedures could not be performed to verify financial information related to disbursements reported in the financial statement; therefore, material misstatements may exist and remain undetected.

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)

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and

COUNTY AUDITOR
JENNINGS COUNTY
FEDERAL FINDINGS
(Continued)

- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

Public records, financial statement information, and supporting information generated through a computer system should be printed out on paper, printed to disk or maintained on-line at the end of each reporting year and retained for audit. Information must be maintained in a manner that will allow access for audit and public inquiry on equipment of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

Indiana Code 5-15-6-3(f) states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission . . ."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

FINDING 2013-008 - CONDITION OF RECORDS - COUNTY AUDITOR

The County failed to design and implement effective internal controls over its financial records to prevent, or detect and correct, material misstatements. We consider the issues in internal controls to be a material weakness.

The following deficiencies in internal controls related to the financial records were noted:

1. Sufficient evidence was not provided to show that the financial records were reviewed and monitored to ensure that transactions were authorized, recorded to the correct funds, recorded for the correct amounts, and that all transactions were recorded to the records.
2. Proper procedures were not in place to ensure that receipts were issued for all monies received.
3. Sufficient evidence was not provided to show that there was proper oversight of the cash balances of individual funds to prevent overdrawn cash balances. As a result, several cash fund balances were reported as negative amounts.
4. Sufficient internal controls were not in place to ensure that distributions to countywide governmental units were made in a timely manner and did not remain in the cash fund balance of the County. As a result, there were multiple instances where distributions were not paid in timely manner, as follows:
 - a. The County Economic Development Income Tax (CEDIT) distributions were received and not paid out in a timely basis to the appropriate governmental units.
 - b. Commercial vehicle excise tax (CVET) and financial institution tax (FIT) distributions were received by the County on May 1, 2013, but not disbursed to the appropriate governmental units until July 17, 2013.
 - c. CVET and FIT distributions were received by the County on December 2, 2013, but not disbursed to the appropriate governmental units until March 7, 2014.

COUNTY AUDITOR
JENNINGS COUNTY
FEDERAL FINDINGS
(Continued)

5. Proper controls were not in place to ensure that appropriate documentation was maintained to support the validity and authorization of certain transactions. As a result, several transactions that were included on the financial consultant's management reports to reimburse the General Fund for employee insurance benefits could not be validated. The transactions were recorded in 2014, but were backdated to December 31, 2013. The transactions included disbursements from the following funds: Highway Fund \$117,947; E-911 Landline Fund \$20,000; and Area Plan Fund \$4,602.
6. Sufficient internal controls were not in place over the property tax and excise tax settlement to ensure that adequate documentation was maintained to support the settlement process.

Due to the weaknesses in internal controls and the condition of records, material misstatements of the financial statement were identified; however, additional misstatements may exist and remain undetected.

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)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

The cash 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)

Regarding CEDIT distributions, Indiana Code 6-3.5-7-16.5(b) states: "A distribution is considered to be timely made if the distribution is made not later than ten (10) working days after the date the county treasurer receives the county's certified distribution under section 12 of this chapter."

Regarding CVET distributions, Indiana Code 6-6-5.5-20 states:

"(a) On or before May 1, subject to subsections (c) and (d), the auditor of state shall distribute to each county auditor an amount equal to fifty percent (50%) of the product of:

- (1) the county's distribution percentage; multiplied by
- (2) the total commercial vehicle excise tax deposited in the commercial vehicle excise tax fund in the preceding calendar year.

(b) On or before December 1, subject to subsections (c) and (d), the auditor of state shall distribute to each county auditor an amount equal to fifty percent (50%) of the product of:

COUNTY AUDITOR
JENNINGS COUNTY
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(Continued)

- (1) the county's distribution percentage; multiplied by
- (2) the total commercial vehicle excise tax deposited in the commercial vehicle excise tax fund in the preceding calendar year."

Regarding FIT distributions, Indiana Code 6-5.5-8-2(b) states: "The county auditor shall distribute the distributions received under subsection (a) to the taxing units in the county at the same time that the county auditor makes the semiannual distribution of real property taxes to the taxing units."

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with Indiana Code 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

FINDING 2013-010 - INTERNAL CONTROLS OVER COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants/State's Program and
Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): DR1B-09-022

Pass-Through Entity: Indiana Office of Community and Rural Affairs

The County has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis-Bacon Act; Period of Availability; Procurement and Suspension and Debarment; and Reporting.

The County hired a consultant to administer all aspects of the grant program. Officials relied upon the Grant Administrator and the contracted engineer to ensure compliance with the requirements that have a direct and material effect on the program. An oversight or review process was not established to verify that the Grant Administrator or the contracted engineer ensured compliance with all applicable requirements.

COUNTY AUDITOR
JENNINGS COUNTY
FEDERAL FINDINGS
(Continued)

The contracted grant consultant maintained the federal cash control register and the contractor expenditure ledgers for each contract. A reconciliation of the consultant's financial records with the County's official financial records, the County Auditor's Funds Ledger, was not performed to ensure the reporting information was accurate. The financial reports prepared by the grant consultant were based on their federal cash control register and not on the County Auditor's Funds Ledger. The President of the County Commissioners signed reports and paperwork; however, there was no evidence that the reports or paperwork were reviewed and/or verified to supporting documentation.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish effective internal controls enabled noncompliance to go undetected. A lack of segregation of duties within an internal control system also allowed noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program. Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the County.

We recommended that the County establish controls, including segregation of duties, related to the grant agreement and the compliance requirements noted above that have a direct and material effect on the program.

FINDING 2013-011 - CASH MANAGEMENT

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants/State's Program
and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): DR1B-09-022

Pass-Through Entity: Indiana Office of Community and Rural Affairs

The County did not ensure that grant monies received were disbursed within applicable Cash Management requirements.

During the audit period, the County processed drawdown requests based on submitted invoices. The following schedule reflects the drawdown amount received from the Indiana Office of Rural and Community Affairs, the date of deposit, the date the federal funds were disbursed, and the number of working days between the deposit and the payment.

<u>Amount of Drawdown</u>	<u>Date of Deposit</u>	<u>Date Vendor Paid</u>	<u>Number of Working Days</u>
\$ 6,860	11-05-13	11-20-13	10

COUNTY AUDITOR
JENNINGS COUNTY
FEDERAL FINDINGS
(Continued)

This drawdown was not receipted to the County Auditor's Funds Ledger until April 4, 2014; however, an adjustment to include this distribution in the Schedule of Expenditures of Federal Awards was approved by County officials.

The County did not have adequate internal controls in place which resulted in noncompliance with the Cash Management requirements of the grant.

24 CFR 85.20(b) (7), standards for financial management systems states in part:

"Cash management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and sub-grantees must be followed whenever advances payment procedures are used."

Indiana CDBG Handbook, Version 12/11, Section 6.5 states in part:

"Draw-downs and Disbursements. Under no circumstances should a Grantee retain more than \$5,000 of federal money in their bank account for more than five business days. If for any reason the federal funds cannot be disbursed during the five day period, the Grantee will be required to return all interest earned on the federal funds to ORCA by check made payable to the U.S. Treasury. Grantees are advised to keep federal funds in non-interesting bearing accounts."

Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds.

We recommended that officials comply with the Cash Management requirement of minimizing the time between the receipt and disbursement of federal funds.

FINDING 2013-012 - REPORTING

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants/State's Program
and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): DR1B-09-022

Pass-Through Entity: Indiana Office of Community and Rural Affairs

The County Auditor established separate grant funds; however, the fund established for the Community Development Block Grant (CDBG) was comingled with the Investments for Public Works and Economic Development Facilities grant and local matching funds. Receipts and disbursements related to this grant were also receipted to and paid from other County funds in error. Several correcting entries were recorded to move those transactions to this fund, but not all transactions were corrected. Separate accounting for CDBG grant monies was not established within the fund to identify the various receipt and disbursement transactions related to CDBG funding.

The County did not have adequate internal controls in place which resulted in noncompliance with the Reporting requirements of the grant.

COUNTY AUDITOR
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(Continued)

24 CFR 85.20 states in part:

"(a) A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to-(1) Permit preparation of reports required by this part and the statutes authorizing the grant, and (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes."

Indiana CDBG Handbook, Version 12/11, Section 6.3. ,Required Financial Records, states in part:

"CDBG funds must be maintained in a separate account or in a separate fund within an existing account. Detailed records of receipts and expenditures of grant funds must be maintained at all times. Records must be supported by source documents including but not limited to deposit receipts, invoices and payments, and contracts awarded.

The following forms are required by the federal funding agency and must be maintained by the Grantee and available for inspection throughout the project:

1. Federal Cash Control Register: This form is used to track the receipt and expenditure of federal fund. The Federal Cash Control Register also maintains a cumulative amount deposited and disbursed throughout the grant project for accurate record-keeping purpose. . . .
2. Contract Obligation Control Ledger: This form provides a listing of all contractual obligations committed for the federally assisted project. All contracts must be listed including but not limited to those for professional services, legal fees, and acquisition and construction. Required information includes the contractor's name, contract date, and total contract amount. The amounts to be paid from CDBG funds are to be listed separately from amounts to be paid from local funds. . . .
3. Contractor Expenditure Ledger: This financial document is a supplement to the Contract Obligation Control Ledger and tracks the total contract amount, payments, change orders, and remaining balance for each contract listed on the Contract Obligation Control Ledger. A separate expenditure ledger should be maintained for each contract awarded for the grant project. This ledger is useful to the Financial Officer in monitoring the progress of payments on each contract, which should be compared to the work actually performed to assure that work on the contract is completed according to schedule and budget. This ledger is also maintained to assure that the Grantee is not being invoiced for amounts more than the total of the contract including any change orders. . . . "

Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds.

We recommended that the County comply with the grant requirements for Reporting.

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JENNINGS COUNTY
FEDERAL FINDINGS
(Continued)

FINDING 2013-013 - INTERNAL CONTROLS OVER INVESTMENTS FOR PUBLIC WORKS AND ECONOMIC DEVELOPMENT FACILITIES

Federal Agency: U.S. Department of Commerce
Federal Program: Investments for Public Works and Economic Development Facilities
CFDA Number: 11.300
Federal Award Number and Year (or Other Identifying Number): 06-01-05376

The County had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis-Bacon Act; Period of Availability; Procurement and Suspension and Debarment; Matching; and Reporting.

The County hired a consultant to administer all aspects of the grant program. Officials relied upon the Grant Administrator and the contracted engineer to ensure compliance with the requirements that have a direct and material effect on the program. An oversight or review process was not established to verify that the Grant Administrator or the contracted engineer ensured compliance with all applicable requirements.

The contracted Grant Consultant maintained the federal cash control register and the contractor expenditure ledgers for each contract. A reconciliation of the consultant's financial records with the County's official financial records, the County Auditor's Funds Ledger, was not performed to ensure the reporting information was accurate. The financial reports prepared by the grant consultant were based on their federal cash control register and not on the County Auditor's Funds Ledger. The President of the County Commissioners signed reports and paperwork; however, there was no evidence that the reports or paperwork were reviewed and/or verified to supporting documentation.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish effective internal controls enabled noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the County.

We recommended that the County establish controls, including segregation of duties, related to the grant agreement and the compliance requirements noted above that have a direct and material effect on the program.

FINDING 2013-014 - PERIOD OF AVAILABILITY, MATCHING, AND REPORTING

Federal Agency: U.S. Department of Commerce
Federal Program: Investments for Public Works and Economic Development Facilities
CFDA Number: 11.300
Federal Award Number and Year (or Other Identifying Number): 06-01-05376

COUNTY AUDITOR
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(Continued)

Period of Availability

Disbursements related to this grant were made before the appropriate grant documents were executed. The first payment to the contractor was dated October 30, 2012, and subsequently, payments were made throughout 2013. The agreement cited below was not signed until November 18, 2013. Due to the delay in signing the agreement, this caused a delay in receiving grant money.

Per the Economic Development Administration Special Award Conditions of Financial Assistance Award for Public Works and Development Facilities, condition #12 Operation and maintenance agreement: "Prior to disbursement of funds, the Recipient shall submit an agreement between the Military Department of Indiana (MDI) and the City of North Vernon satisfactory to the Government for the operation, maintenance, and use of the pump station for the useful life of the Project."

Matching

Local matching funds were received from another governmental entity through an interlocal agreement. During 2012 and 2013, these funds were receipted to several County funds in error. The County Auditor did not have procedures in place to account for, or identify the local matching funds, on the County Auditor's Funds Ledger. The accounts payable vouchers did not contain a breakdown as to the payments being split between federal grant funds and local matching funds. The contracted Grant Administrator's grant project ledger included the breakdown between the federal portion and the local matching portion for the grant disbursements. However, the grant project ledger was not, and could not be, reconciled with the County Auditor's Funds Ledger. The Grant Consultant also kept a separate handwritten worksheet to track the local matching funds that were received. This worksheet did not include the entire grant period, nor were any of these amounts traced to the County Auditor's Funds Ledger. Due to the condition of records, there was not adequate accountability to determine whether the County complied with the local matching requirements of the grant.

15 CFR 24.24 (b)(6) states in part: "Costs and third party in-kind contributions counting towards satisfying a cost sharing or matching requirement must be verifiable from the records of grantees and subgrantee or cost-type contractors . . . "

Reporting

The County Auditor established separate grant funds; however, the fund established for the Community Development Block Grant (CDBG) was comingled with the Investments for Public Works and Economic Development Facilities grant and local matching funds. Receipts and disbursements related to this grant were also receipted to and paid from other County funds in error. Several correcting entries were recorded to move those transactions to this fund, but not all transactions were corrected. Separate accounting for the Investments for Public Works and Economic Development Facilities grant monies was not established within the fund to identify the various receipt and disbursement transactions related to this grant.

The Federal Financial Reports (Form 425) for the periods ending March 30, 2013, and September 30, 2013, were incorrect. The amounts reported for the federal cash disbursements, federal and recipient share (matching) of expenditures were incorrect.

COUNTY AUDITOR
JENNINGS COUNTY
FEDERAL FINDINGS
(Continued)

15 CFR 24.20 (b) states in part:

"The financial management system of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.
- (3) *Internal control.* Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.
- (4) *Budget control.* Actual expenditures or outlays must be compared with budgeted amounts . . ."

The County did not have an adequate internal control system in place which resulted in noncompliance with the federal requirements noted above.

Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds.

We recommended that the County comply with the grant agreement and federal requirements for Period of Availability, Matching, and Reporting.

FINDING 2013-015 - PROCUREMENT AND SUSPENSION AND DEBARMENT

Federal Agency: U.S. Department of Commerce

Federal Program: Investments for Public Works and Economic Development Facilities

CFDA Number: 11.300

Federal Award Number and Year (or Other Identifying Number): 06-01-05376

The County was not in compliance with the Procurement requirements for this program. They did not have written procurement procedures in place related to the standards of conduct governing the performance of its employees and others engaged in the award and administration of contracts.

The Economic Development Administration Standard Terms and Conditions for Construction Projects Title II - Public Works and Economic Development Facilities and Title II - Economic Adjustment Construction Components states in part:

COUNTY AUDITOR
JENNINGS COUNTY
FEDERAL FINDINGS
(Continued)

"(12)(a) Standards of conduct. The recipient shall maintain a written code of conduct, which shall govern the actions individuals, such as any officer, employee or member of the board of directors or other governing board of the recipient, including any other parties that advise, approve, recommend or otherwise participate in the business decisions of the recipient, such as agents, advisors, consultants, attorneys, accountants or shareholders. This also includes immediate family, significant others, partners, and other persons directly connected to such persons by law or through a business agreement."

The County did not have an adequate internal control system in place which resulted in noncompliance with Procurement requirements related to this grant.

Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the County.

We recommended that the officials comply with the grant agreement and the federal requirements for Procurement.

Office of Jennings County Auditor
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August 19, 2015

Corrective Action Plan

Contact Person: Kay Sue Vance

Title: Jennings County Auditor

Completion date: Corrective action will be on-going until all issues have been addressed and completed as stated.

Finding 2013-001 – Disclaimer of Opinion – County Auditor and County Treasurer

The County Auditor will maintain proper records and will check with Treasurer to reconcile the financial ledgers, records and bank statements.

The County Auditor shall monthly prepare a financial statement and reconcile cash and investment balances as shown on statement. The County Auditor shall work with the County Treasurer to account for all funds of the county in the records of the Auditor and reconcile with the records of the Treasurer.

Finding 2013 - 003 Internal Controls over the Schedule of Expenditures of Federal Awards – County Auditor

The County Auditor shall make an excel sheet for all grants received in the county.

Finding 2013 – 004 Internal Controls and Non Compliance over Financial Reporting

The Auditor shall work with the staff on a system where one person shall input and another person shall verify thus creating a more reliable statement. The Auditor shall make sure that all departmental funds are listed and verified.

Finding 2013-005 - Internal Controls and Noncompliance over financial Transactions – County Auditor

The County Auditor will have a report run monthly to check EFT and ACH deposits and receipts. The Auditor will see to it that no back dating transactions are done and will retain supporting documentation. The Auditor will research and correct the wire transfer not being recorded in Auditor's Funds Ledger.

Finding 2013 - 006 - Internal Controls and Noncompliance over Payroll – County Auditor

The County Auditor will strive to cross train the payroll position as well as others in her office and will oversee the payroll process to ensure correct payment is being made.

Finding 2013-007 – Internal Controls and Non Compliance Over Disbursements

The County Auditor shall make sure each voucher submitted is completely filled out and signed off on and that an invoice or statement of reason for the voucher is attached. The County Auditor shall have reports created so that all funds, postings and distributions can be monitored to ensure proper procedures.

Finding 2013-008 – Condition of Records – County Auditor

The County Auditor shall instruct the Claims Deputy that any claim submitted that is not supported by appropriation, that claim shall be returned to the department who submitted the claim. The County Auditor shall oversee and check receipt books to insure proper management.

Finding 2013-010 – Internal Control over Compliance Requirements that have a Direct and Material Effect to Community Development block Grants/State's Program and Non-Entitlement Grants in Hawaii

The Auditor will make sure proper oversight, reviews and approvals take place and to have a separation of functions over certain activities related to the program.

Finding 2013-011 – Cash Management Noncompliance relating to the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

The County Auditor will implement controls that will ensure compliance with the cash management requirement; thus minimizing the time between the receipt and disbursement of federal funds.

Finding 2013-012 - Reporting Noncompliance relating to Community Development block Grants/State's Program and Non-Entitlement Grants in Hawaii

The County Auditor will maintain a separate account or fund within an existing account. The auditor will keep detailed receipts and expenditures reports of grant monies at all times.

Finding 2013 - 013 - Internal Controls over Investments for Public Works and Economic Development Facilities


The County Auditor shall work with the grant administration to ensure compliance with the requirements of a federal program.

Finding 2013 014 - Matching and Reporting Noncompliance relating to Investments for Public Works and Economic Development Facilities.

The County Auditor shall put a system in place to ensure that the grant reports prepared by the contractual grant administrator are reviewed and compared to supporting documentation to ensure accuracy and completeness in reporting.

Finding 2013 015 - Procurement Noncompliance relating to Investments for Public Works and Economic Development Facilities.

The County Auditor will have written procurement procedures in place related to the standard Administration of contracts.



Kay Sue Vance
Jennings County Auditor

COUNTY AUDITOR
JENNINGS COUNTY
AUDIT RESULTS AND COMMENTS

PUBLIC RECORDS RETENTION

Numerous receipts, invoices, and supporting documentation were not presented for audit. The following items were not provided:

- Accounts Payable Claim Vouchers - 26 of 77 tested during accounts payable claim testing were not provided for audit; additionally numerous other claims requested during other audit procedures were not provided.
- Employee Service Record - not located for 1 employee during testing.
- Department of Local Government Finance - additional appropriations approval documents.
- Various financial software reports.
- CAGIT and CEDIT Worksheets.
- Numerous quietus (receipts) copies and supporting documentation.
- Appropriation software reports.

Indiana Code 5-15-6-3(f), concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission. . . ."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

DISBURSEMENT PROCEDURES NOT FOLLOWED

The County did not have adequate internal control procedures in place to ensure proper accounting and compliance with applicable laws and regulations governing disbursements.

The following issues were noted:

- Some accounts payable vouchers were not properly certified by someone to show evidence that goods or services purchased had been received prior to making payment.
- Numerous accounts payable vouchers were prepared by the County Auditor's staff, either left unsigned or approved by that same staff person, the check written, and the disbursement also posted by the same staff person.
- Numerous accounts payable vouchers were processed and paid without verifying that there was an adequate appropriation or cash fund balance available.

COUNTY AUDITOR
JENNINGS COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- Numerous disbursements were posted to incorrect line items.
- Observed prior unpaid balances on numerous invoices which indicates that bills were not being paid in a timely manner and the County didn't have procedures in place to verify if prior balances were paid before making payment of total invoice. This resulted in at least one duplicate payment. An invoice of \$14,875 for a local construction contractor was paid on October 18, 2013, and paid again on November 20, 2013. The second payment was returned by the local construction contractor on November 26, 2013, with a notation as to the duplication of payment.
- Numerous accounts payable vouchers for the Highway Fund and the Fairground Non-Revert Fund did not have supporting documentation for the amounts disbursed. Some of the charges that did not have adequate documentation included equipment charges on two Verizon Wireless invoices for \$649.99 and \$548.88.
- Several accounts payable vouchers for the Highway Department had no evidence that the Highway Superintendent or other appropriate person had reviewed and approved them.

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)

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

Assets of the governmental unit may not be used in a manner unrelated to the functions and purposes of the governmental unit.

COUNTY AUDITOR
JENNINGS COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Whenever an item or other asset owned by the political subdivision is entrusted to an officer or employee, to be used at times outside the normal work time for business purposes, such as a cellular phone, or vehicle, a log should be maintained which clearly shows the business use. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

INTERNAL CONTROLS OVER PAYROLL

Payment of Unused Sick Leave

A payment for unused sick leave of 161.50 hours was made to a former County Highway employee in 2013. The County Highway Superintendent provided a copy of a March 20, 2011 memo that a former County Commissioner had written to the Indiana Department of Workforce Development concerning a former County Highway employee. The memo stated in part: "I contacted our County Attorney . . . to ask about vacation and sick time earned. It was of his opinion that he should receive all time earned. Therefore that time was granted." The County Highway Superintendent was relying on this memo for the practice of paying County Highway employees for unused sick leave.

Per the County's "Policies and Procedures Manual" dated May 29, 2009, "No more than thirty (30) sick days may be accumulated. Unused sick days will not be compensated for upon termination of employment."

Employee Service Records

The former First Deputy, who was also a payroll employee, stopped recording information on her employee service record during July 2013. Since there was no oversight of the employee service records, no one was aware of this omission. The former County Auditor provided her record of employees' time off in her office; however, it did not contain sufficient information to support payroll leave time during the audit period.

Time Records

The County Auditor's Office had timesheets that were not always signed by the employee and/or an approval person. Also, the Payroll Schedule and Voucher (Payroll Form No. 99) for the County Auditor's Office was not reviewed and approved by anyone.

Due to a lack of controls over timesheets, we noted at least one instance where an employee was overpaid. A County Auditor's Office employee was overpaid by one day's pay of \$75. The employee's timesheets contained errors in dates which resulted in one day's work being reported on two separate timesheets.

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
JENNINGS COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

INTERNAL CONTROLS - QUIETUS

Internal controls over the receipting, recording, and accounting for the collection of monies were insufficient.

The County Auditor's Office received cash and checks from certain County departments throughout each month. Some County departments maintain their own bank account, and at month end, issue a check, and turn it into the County Auditor's Office. The departments did not always include a breakdown of the total cash and checks on their Report of Collections form. The Report of Collections forms did not always include sufficient information, such as the date the County employee turned the money over to the County Auditor's Office. This money was then held in the County Auditor's Office until a County Auditor's Office employee writes the receipt. Employees of the County Auditor's Office then take the money to the County Treasurer's Office for deposit. Also, the money was not usually counted, nor was the breakdown of the money compared to the quietus at the time it was taken to the County Treasurer's Office.

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)

Indiana Code 5-13-6-1 requires all public funds shall be deposited not later than the business day following the receipt of funds on business days of the depository. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 19)

All money, except for taxes and special assessments paid direct to the treasurer, shall be receipted into the records by the use of the four-part Form 20-21, "Combination Quietus, Application to Pay, Treasurer's Receipt and Auditor's Copy." This form, which serves as the media for posting to the fund ledger accounts, is sometimes referred to in this manual as an "application to pay and quietus," as a "quietus" and as a "receipt."

The form is designed to meet the requirements of Indiana Code 36-2-9-12 and Indiana Code 6-2-10-10 and to insure proper accountability for all such receipts. The following steps should be followed:

1. The county auditor prepares the four-part form, to show the date, fund or funds to be credited, amount, the person applying to pay the money into the county treasury, and in the space "on account of" shall show the source of the payment and the specific account number or numbers to be credited.

COUNTY AUDITOR
JENNINGS COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

2. The auditor hands to such person the "Application to Pay" and "Receipt" copies and the person makes payment direct to the treasurer, receiving from the treasurer the signed receipt copy. The treasurer retains the application to pay for the records of that office.
3. The person returns the receipt copy to the auditor who thereupon issues the "Quietus" to such person to complete the transaction. The receipt copy is retained for the auditor's records.

(Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 6)

PENALTIES, INTEREST, AND OTHER CHARGES

The County made delayed and partial payments to a contractor throughout 2013. As a result of not paying the contractor the full amount due in a timely manner, the County incurred and paid late payment interest in 2014, totaling \$43,758.

The County also paid penalties and interest to the Internal Revenue Service in the amount of \$752 in 2013, due to the failure to remit payments on a timely basis.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

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.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

APPROPRIATIONS

A budget or an additional appropriation was not approved for the Rainy Day fund for 2013; however, expenditures of \$22,350 were made during the audit period.

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."

COUNTY AUDITOR
JENNINGS COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

OVERDRAWN CASH BALANCES

The financial statement presented in this report included the following funds with overdrawn cash balances at December 31, 2013:

Fund	Amount Overdrawn
Local Health Department Trust Account	\$ 549
Recycling	13,470
Payroll Withholding -- Federal	492
Payroll Withholding -- FICA & Medicare	43,211
Payroll Withholding -- Wage Garnishments	1,452
Coroners Training & Con't Education	2,463
Child Restraint Violations Fines	50
North Vernon Sewer	2,957
MUTC Sewer	185,975
Special Death Benefit Fees	1,715
Squire Lakes Big Lake Dam	6,860
County Misdemeanant Fund	602
Carnegie Library Plan G	570
Total	\$ 260,366

In addition, there were several funds which had overdrawn cash balances during the audit period:

a. The General fund cash balance was overdrawn from January 11, 2013, until June 26, 2013. The two highest overdrawn cash balances during that time was \$2,144,684 on February 27, 2013, and \$1,511,184 on June 26, 2013. The cash balance was overdrawn again from August 14, 2013, until December 26, 2013, with the highest overdrawn cash balance of \$1,459,136 on December 26, 2013.

b. The CAGIT County Certified Shares fund cash balance was overdrawn from January 1, 2013 through April 13, 2013, with the highest overdrawn cash balance of \$547,870 on April 13, 2013 and then overdrawn again from May 30, 2013, until December 31, 2013, with the highest overdrawn cash balance of \$476,143 on December 31, 2013. A backdated posting correction in the amount of \$495,749 was posted to the County Auditor's Funds Ledger as of December 31, 2013, and resulted in an ending cash balance of \$19,604.

The cash 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)

COUNTY AUDITOR
JENNINGS COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

CHART OF ACCOUNTS

The County has not implemented the new chart of accounts for counties that went into effect on January 1, 2013. In addition, federal grant funds, except for one Title IV-D fund, were not appropriately labeled with the Catalog of Federal Domestic Assistance (CFDA) number.

A chart of accounts is a listing of account titles, with numerical symbols, employed in the compilation of financial data. It also serves to facilitate processing of claims, warrants, and other documents and as a convenience in posting ledgers.

A numerical coding system has been established for use in accounting for funds, revenues, appropriations and expenditures, which is adaptable to all counties having a manual or mechanized accounting system, as distinguished from electronic data processing. The coding system and its application is more fully discussed . . . on the pages that follow in this chapter.

The chart of accounts described herein will be used in all counties unless a double entry accounting system is implemented requiring the chart of accounts specified in Chapter XII. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 5)

RECONCILEMENT OF FUNDS TO SUBSIDIARY LEDGERS

The County Auditor had not performed monthly reconcilements of the County Auditor's Funds Ledger cash balances for surplus tax, tax sale redemption funds, or tax sale surplus to the corresponding subsidiary ledgers. The County Auditor's Funds Ledger cash balances for these funds as of December 31, 2013, were \$23,422; \$9,578; and \$636,818, respectively.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR
JENNINGS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 11, 2015, with Janice L. Ramsey, former County Auditor.

The contents of this report were also discussed on September 16, 2015, with Kay Sue Vance, County Auditor; Ronald E. Bloemer, First Deputy County Auditor; Matt Sporleder, President of the Board of County Commissioners; Howard L. Malcomb, President of the County Council; David Woodall, County Council; and Murielle S. Bright, County Attorney.

COUNTY TREASURER
JENNINGS COUNTY

COUNTY TREASURER
JENNINGS COUNTY
FEDERAL FINDINGS

***FINDING 2013-001 - FINANCIAL RECORDS AND REPORTING -
COUNTY AUDITOR AND COUNTY TREASURER***

The County failed to design and implement effective controls over the financial accounting records used to prepare the financial statement, including Notes to Financial Statement, in order to prevent, or detect and correct, material misstatements. We consider the issues in internal controls to be a material weakness.

The County Auditor and County Treasurer did not properly maintain the County's financial ledgers, records, and bank reconcilements during the audit period.

1. Reconcilement of the County's Financial Ledgers - The County Auditor and the County Treasurer did not reconcile their Funds Ledger balances and transactions. There were no procedures in place to close out their financial ledgers monthly or at year end. As of December 31, 2013, the County Auditor's Funds Ledger balance was \$8,184,584, while the Treasurer's Daily Balance of Cash Depositories (Cash Book) balance was \$6,470,584, a difference of \$1,714,000.
2. Reconcilement of the County's Bank Accounts to the County Treasurer's Cash Book - From January 1, 2013 to December 31, 2013, and through March 31, 2015, bank reconcilements of the bank statement balances to the County Treasurer's Cash Book balances were not provided for audit. During the audit, the following issues were noted:
 - Outstanding check list included checks which had been voided on the County Auditor's Funds Ledger.
 - Multiple electronic fund transactions from outside sources, totaling \$279,286, were deposited to the County's bank accounts during 2013, but were not recorded to the County Auditor's Funds Ledger or the County Treasurer's Cash Book.

Similar issues of the County Treasurer not reconciling the County's bank accounts with the County Treasurer's Cash Book were noted in the 2009, 2010, 2011, and 2012 audit reports.

Due to the weaknesses in internal controls and the condition of records, material misstatements of the financial statement were identified; however, additional misstatements may exist and remain undetected.

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 Treasurers of Indiana, Chapter 10) (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COUNTY TREASURER
JENNINGS COUNTY
FEDERAL FINDINGS
(Continued)

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

Regardless of the source of a receipt or the purpose of a disbursement, all funds of the county must be accounted for in the records of the county auditor and reconciled with the records of the county treasurer. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 5)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 10) (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

DUTIES TO BE PERFORMED EACH MONTH:

1st Day of Month	Balance and prove all records at close of preceding month, prepare monthly financial statement, and reconcile with statement prepared by county auditor. Check depository statements and prepare reconciliation with each depository.
------------------	--

(Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

FINDING 2013-002 - CASH BOOK AND FINANCIAL TRANSACTIONS - COUNTY TREASURER

The County Treasurer's Office is responsible for maintaining the County Treasurer's Daily Balance of Cash and Depositories (Cash Book). The County failed to design and implement effective controls over the preparation of the Cash Book, financial transactions, and financial statement, including Notes to Financial Statement, to prevent, or detect and correct, material misstatements.

The Cash Book reflects the financial condition of the County Treasurer's Office at the close of each day and includes the daily receipts, disbursements, and cash and investments balances. We noted several deficiencies in the internal control system of the County Treasurer's Office related to the Cash Book and financial transactions. We consider the issues in internal controls to be a material weakness.

1. There was a lack of segregation of duties. The Bookkeeper receipted money, could void receipts, balanced the day's business in the financial software, recorded daily transactions in the County Treasurer's Cash Book, made adjustments, made bank deposits, and prepared reconciliation reports. The Bookkeeper also prepared the settlement documents. All staff, which consisted of the County Treasurer, Bookkeeper, and a part-time staff person, collected property tax payments. There was no evidence of oversight or review of the Bookkeeper's work.

COUNTY TREASURER
JENNINGS COUNTY
FEDERAL FINDINGS
(Continued)

2. Cash short or cash long entries are recorded in the Cash Book indicating a difference between the ending balance of the taxes, other sources, funds, and investments, when compared to the ending depository balances. Various cash short and cash long entries during the year did not include documentation of why these entries existed.
3. There were not sufficient controls over the property tax settlement process. Controls were not in place to ensure that proper supporting documentation was maintained to reconcile the amounts posted to the Cash Book to the supporting property tax settlement worksheets for receipts and subsequent disbursements, to ensure that all amounts had been properly recorded.

As a result, the following issues were identified during the audit:

1. Cash short and cash long entries were recorded in the Cash Book indicating a difference between the ending balance of the taxes, other sources, funds, and investments, when compared to the ending depository balances. Various cash short and cash long entries during the year were not supported by adequate documentation to identify or explain the reason for the cash short or long.

The cumulative cash short and cash long amounts at January 2, 2013, June 28, 2013, and December 31, 2013, are noted as follows:

Description	01-02-13	06-28-13	12-31-13
Cash Long	\$ 582,924	\$ 1,236,306	\$ 4,120,778
Cash (Short)	<u>(532,840)</u>	<u>(1,260,460)</u>	<u>(2,099,832)</u>
Net (Short)/Long	<u>\$ 50,084</u>	<u>\$ (24,154)</u>	<u>\$ 2,020,946</u>

2. Some amounts recorded to the County Treasurer's Cash Book were not recorded in a timely manner. Proceeds from a general obligation bond and a redevelopment bond totaling \$2,166,850 were received on December 20, 2013, but not recorded in the Cash Book until February 13, 2014. Also, property tax receipts totaling \$2,184,510 were received on December 26, 2013, but were not recorded to the Cash Book until December 30, 2013.

Due to the weaknesses in internal controls and the condition of records, material misstatements of the financial statement were identified; however, additional misstatements may exist and remain undetected.

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.

COUNTY TREASURER
JENNINGS COUNTY
FEDERAL FINDINGS
(Continued)

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 Treasurers of Indiana, Chapter 10)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 10)

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

Indiana Code 5-13-5-1 states:

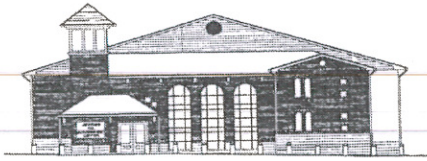
"(a) Every public officer who receives or distributes public funds shall:

- (1) keep a cashbook into which the public officer shall enter daily, by item, all receipts of public funds; and
- (2) balance the cashbook daily to show funds on hand at the close of each day.

(b) The cashbook is a public record and is open to public inspection in accordance with IC 5-14-3.

(c) A person who violates this section is subject to criminal prosecution under IC 35-44.2-2-2."

It is important that the amounts distributed at each semiannual settlement agree with the amounts shown in the treasurer's daily balance of cash and depositories, since a settlement and distribution in excess of the amounts entered in this record will result in "cash short" on the day the settlement is made. Conversely, if the settlement and distribution is made for less than the amount shown in this record, it will result in "cash long" for that day. Therefore, every effort should be made before settlement and distribution to see that the amounts distributed for each taxing district agree with the amounts entered in the register of taxes collected and in the treasurer's daily balance of cash and depositories. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 4)



Jennings County Government Center
200 East Brown Street, Vernon, IN 47282

Sandra L. Vance

Treasurer of Jennings County

200 East Brown Street

P.O. Box 368

Vernon, IN 47282

Phone: (812) 352-3060

Fax: (812) 352-3064

July 7, 2015

Corrective Action Plan

Finding 2013-001

Finding 2013-002

Treasurer of Jennings County

Contact Person: Sandra L. Vance

The noted deficiencies of the Jennings County Treasurers office related to the Cash Book and the Financial Transactions was noted and brought to the attention of the S.B.O.A., the County Council President and the President of the Commissioners in 2009 along with the previous treasurer.

Under the advice of the SBOA we were given a number to proceed with in 2010. And we have continued since then.

At the present we have a plan in place and have made necessary changes for reconcilements of the counties' financial ledgers. With the help of the Low financial package and the Reedy Financial Group I feel confident that the problems will be resolved soon and the Auditors and Treasurers' office will be on track for the rest of 2015 and the upcoming year 2016.

A "County Treasurers' Monthly Report" will be completed to show combined bank reconciliation rather than individual bank accounts. This will take place on or before the 15th of each month, showing the financial condition at the close of business, on the last day of the preceding month. The report will be given to the Auditor to distribute to the State, County Council, Commissioners, and one for the Treasurer's Office.

Cash Book and Financial Transactions

The Treasurers' Office is responsible for maintaining the Treasurers' Daily Balance of the Cash and Depositories (Cash Book). The Cash Book reflects the daily receipts and disbursements, the total amount of cash and investments, and proof of the financial condition of the office at the close of each day. This can only be done when the correct information is forwarded to the Chief Deputy in the Treasurers' Office to complete. Many times the information was incorrect or not given at all.

1. The only segregation of duties falls on the Chief Deputy Sheila Porter she is the only one that maintains the Cash Book and Financial Transactions in the Treasurers' Office. The Chief Deputy has the responsibility of daily receipts and disbursements, the total amount of cash and investments, and does have proof of the financial condition of the office at the close of the day. She makes bank deposits, gives change, collects taxes and prepares reconciliation reports as requested. The Chief Deputy also works very closely with the Auditors' Office on the settlement to make sure that everything is included. She is also cross trained to fill the other duties in the office.

Jennings County

Position Description

Position Title: First Deputy

Department: Treasurer's Office

Reports To: Treasurer

Purpose of Position

At the discretion of the elected Jennings County Treasurer, the First Deputy is responsible for performing any and all duties required of the Treasurer, as set forth by the Constitution of the State of Indiana, and is subject to the same qualifications, statutes, requirements, penalties, and obligations applicable therein.

Essential Duties and Responsibilities
--

The following duties are all essential to the office. Some are typically performed by the 1st Deputy while others are typically performed by the Treasurer. These are not to be construed as exclusive or all-inclusive. Other duties may be required and assigned.

- Cashier payments received into the computerized tax collection program.
- Process new and dismissed bankruptcies received in both the tax program and paper filing system. Timely file new and updated Proofs of Claim to Bankruptcy Trustee. Update old filings and purge records according to approved retention schedule.
- Type receipts for license excise tax, auto rental excise, watercraft excise, aircraft excise, excise tax cut, etc.; record and deposit monies received from BMW or Auditor of State into the manual excise tax check register. Check bank balances online and compare & reconcile to manual excise tax check register each time a deposit is made and/or a minimum of three times monthly.
- Prepare and process lender's requests for escrowed tax payments.
- Update and enter address changes on taxpayers in computer when new information is received.

- Answer telephone/email/fax inquiries and assist taxpayers at counter providing information, assistance, and direction; take and deliver messages as may be necessary.
- Sort and process incoming mail received and prepare any necessary outgoing mail.
- Assist in the process of determining those to be certified for tax sale each year. Assist in the updating of tax sale list from certification date until sale date.
- Send reminder letters to governmental units of deadline for receipt of employee lists. Update and ensure all governmental employees parcels are coded as such in tax program. Determine eligibility and send courtesy letter to those employee/taxpayers of impending garnishment action.
- Complete and file necessary paperwork to start the garnishment of delinquent governmental employees.
- Determine eligibility and send courtesy letters to taxpayers that are delinquent in Personal Property.
- Process, print, and mail Letters of Demand Notices on delinquent personal property.
- Certify personal property judgments to Clerk of Courts.
- Process payments received on past judgments as recharges when paid.
- Maintain files and/or filing systems.
- Create, and mail reconstruction statements in the spring and fall.
- Determine eligibility of taxpayer's delinquent real estate property.
- Print and send courtesy letter to delinquent real estate owners.
- Close and balance all cash drawers open at the end of every day and during spring and Fall Collection.
- Prepare the daily deposit of tax receipts and quietus money.
- Make bank deposits at banks when necessary.
- Daily complete the Daily Balance and Cash Sheet at end of day's business as required by State Board of Accounts.
- Complete the necessary end of day entries into the Treasurer's Module of the LOW Financial program.
- Manually figure taxes and estimates of taxes due when requested.
- Complete the Payroll Claim and submit to Auditor's Office when needed in the absence of the Treasurer.
- Report amount of taxes due upon request for Sheriff's Sale process.
- Investigate addresses with regard to returned mail from post office from various mailing that have been sent.
- Verify that all taxes are current and complete Mobile Home Transfer/Moving Permits as requested.
- Fill out Moving and Transfer permits as requested.
- Verify that all taxes are current and complete Alcohol/Tobacco permits as requested.
- Certify Tax Collections to the Auditor semi-annually.
- Reconcile all bank statements monthly.
- Prepare Treasurer's Monthly Financial Report due to the state by the 16th of each month.
- Process NSF Checks and turn over to Prosecutor for collection if necessary.
- Prepare report of all warrants over two years old to Board of Finance each January and then move the money back to their respective funds.
- Prepare report of all Investments on Record as of December 31st each year and total interest earned on investments to the Board of Finance each year.

- Help make decisions of investments of various county funds.
- Help maintain general office cleanliness and neatness running sweeper and dusting.

Minimum Training and Experience Required to Perform Essential Duties and Responsibilities

A high school diploma or equivalency. One to two years bookkeeping or related experience preferred; or any equivalent combination of education, training and experience which provides the necessary knowledge, skills and abilities.

Special Requirements

No special licensure or certification is required.

Minimum Physical and Mental Abilities Required to Perform Essential Job Functions

- Ability to operate a variety of automated office machines including typewriter, calculator, copier, computer, telephone system, fax machine, valuator, folding machine, printers, etc.
- Ability to utilize departmental software including financial, tax, and other specialized software.
- Ability to exert physical effort in sedentary to light work involving routine stooping, kneeling, crouching, climbing, and reaching; tasks require visual perception and discrimination.

Mathematical Ability

- Ability to add, subtracts, multiply, divide, calculate decimals and percentages, and measure data.

Language Ability and Interpersonal Communication

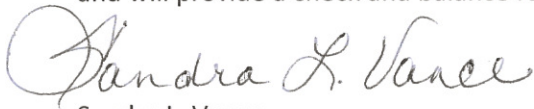
- Ability to comprehend and correctly use a variety of informational documents including tax statements, quietus, warrants, inheritance tax orders, bank statements, bankruptcy reports, excise tax reports, and other reports and records.
- Ability to comprehend a variety of reference books and manuals including I.C. Code books, Treasurers' Manual, computer handbooks/manuals, etc.
- Ability to prepare financial reports, financial statements, inheritance tax reports, tax statements, census reports, settlement worksheets, receipts, memos, correspondence, and other jobs related documents using prescribed format and conforming to all rules of punctuation, grammar, diction and style.
- Ability to accurately record and deliver information, meet deadlines, and maintain confidentiality of restricted information.

- Ability to use and interpret accounting/bookkeeping terminology and language.
- Ability to use independent judgment, common sense, and principles of rational systems in the performance of tasks.
- Ability to work under stressful conditions, to respond immediately to crisis situations, and to balance priorities within and between offices/departments.
- Ability to maintain personal composure and tactfully handle difficult situations and interpret questions correctly.
- Ability to advise and interpret the application of policies, procedures, and standards to specific situations; ability to explain, demonstrate, and clarify to others within well-established policies, procedures, and standards.
- Ability to communicate effectively with customers, bank personnel, Auditor's office, Assessor's office, other County personnel, and the general public verbally and in writing.

Environmental Adaptability

- Ability to work effectively in an office environment
 - **COMMENTS FROM THE TREASURER**
 - At the present we are working with Low Associates along with the Auditors' Office to find and correct the problems with the cash short and cash long amounts. We are hopeful to find documentation as to why the cumulative cash short and cash long exist.
 - With the help of Reedy Financial beginning in 2012 I feel the financial problems with both the offices Auditor and Treasurer and Jennings County will be resolved.
2. The Reconciliation of the County's Financial Ledgers could not be balance due to the lack of information from the Auditors' Office. All other funds were balanced with the exception of the operating fund. The monthly financial statement was not correct because of the incorrect amounts and I felt it would not be feasible to send in a report with incorrect numbers. With the help of Reedy Financial this will be taken care of. We have since given reports to the Auditors' Office each month.
 3. The amount posted to the Treasurers' Daily Balance of Cash and Depositories ("Cash Book") has been determined that the transaction had been posted as of December 30, 2013.

4. The verification of the property tax collection reports is reconciled at the end of every day with the payment summary. Every amount is accounted for.
 5. During the property tax settlement Manatron/Thompson Reuters is contacted and assisted in the settlement giving directions to complete the process.
- I want to thank the SBOA for bringing the bookkeeping problems to light. It is very important for the Commissioners of Jennings County along with the County Council to be aware that these problems exist.
 - I believe in the future with another employee in the treasurers' office it will benefit the Auditors' Office as well as the Treasurers'. There will be more internal control and the separation of duties and will provide a check and balance for both offices.



Sandra L. Vance

Treasurer of Jennings County

COUNTY TREASURER
JENNINGS COUNTY
AUDIT RESULT AND COMMENT

EXCISE TAX REVIEW - COMPLIANCE

The following deficiencies were observed:

1. The County Treasurer's Daily Record of Cash and Depositories postings are based on the Bureau of Motor Vehicles' (BMV) deposits made to the County's bank account and not the excise tax reports from BMV's excise tax website.
2. The Treasurer's 49TC Certified Tax Collections should be in agreement with the County Treasurer's Cash Book on the date of certification. For the fall 2013 settlement, the excise tax balances as reported on the Cash Book of \$1,083,826 was not in agreement with the excise tax of \$1,277,792 reported on the 49TC, a difference of \$193,966.
3. The County Auditor's and County Treasurer's excise tax reconciliation worksheets filed with the Auditor of State's Office for the 2013 spring and fall settlements were not supported by supporting schedules or reports as noted below:

The amounts reported for both spring and fall as being "excise tax received after the auditor cut-off date" were not supported by a detailed worksheet. This amount was a calculation done on the excise tax reconciliation worksheet. In order to prove these amounts were correct, an analysis of the actual amounts received and posted to the County Treasurer's Cash Book would need to be made, and compared to the amounts reported on the tax reconciliation worksheets. As a result, the County Treasurer had not balanced the excise tax account as of this date.

The county treasurer in reporting such collections on the County Treasurer's Certificate of Collections, County Form No. 49TC, at each semiannual settlement, will combine such taxes with the vehicle and aircraft license excise tax collected and the total reported as one amount on the line designated "License Excise Tax Collected." (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 6)

At the time of each semiannual tax settlement the treasurer shall report such tax collections, together with the aircraft license excise tax and auto rental excise tax collections discussed in this section, on County Form 49TC, County Treasurer's Certificate of Tax Collections, and the total shown by the county auditor's records shall be verified with the treasurer's certificate before distribution is made. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 6)

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 Treasurers of Indiana, Chapter 10)

COUNTY TREASURER
JENNINGS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 16, 2015, with Sandra L. Vance, County Treasurer; Sheila R. Porter, Chief Deputy County Treasurer; Kay Sue Vance, County Auditor, Matt Sporleder, President of the Board of County Commissioners; Howard L. Malcomb, President of the County Council; David Woodall, County Council member; and Murielle S. Bright, County Attorney.

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CLERK OF THE CIRCUIT COURT
JENNINGS COUNTY

CLERK OF THE CIRCUIT COURT
JENNINGS COUNTY
FEDERAL FINDING

FINDING 2013-009 - FINANCIAL TRANSACTIONS AND REPORTING - CLERK OF THE CIRCUIT COURT

The County failed to design and implement effective internal controls over its financial transactions and reporting to prevent, or detect and correct, material misstatements. We consider the issues in internal controls to be a material weakness.

The following deficiencies in internal controls of the Clerk of the Circuit and Superior Court's Office were noted:

1. Internal controls over cash fund balances were not properly implemented. Sufficient evidence was not provided to show that monthly reconciliations of bank account balances to book balances were being performed as required. This includes preparing outstanding check list reports and deposits in transit reports on a monthly basis. We were unable to verify cash fund balances to bank account balances and were not able to apply other audit procedures due to the lack of supporting documentation.
2. The Clerk of the Circuit Court had not separated incompatible activities related to receipts, disbursements, and cash balances. The Bookkeeper was able to collect payments, issue receipts, count the daily collections from the cashiers, create bank deposit slips, and make bank deposits. Another employee opened mail, receipted in all mail items, handled the garnishments, and issued the checks. All employees were able to process payments and shared one cash drawer.
3. Evidence provided during the audit indicated there were no internal controls in place to ensure that each person was actually logging in to the Odyssey software using their own log in and password information to issue receipts.

Due to the weaknesses in internal controls and the condition of records, material misstatements of the financial statement were identified; however, additional misstatements may exist and remain undetected.

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 Clerks of the Circuit Court of Indiana, Chapter 13)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Court of Indiana, Chapter 13)

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

CLERK OF THE CIRCUIT COURT
JENNINGS COUNTY
FEDERAL FINDING
(Continued)

Access to information stored on the computer must be protected through the use of user identification codes and confidential passwords. These passwords must meet the following criteria:

Each user must have a unique user identification code and password.

Passwords must be changed every 30 days.

Passwords must be a minimum of six (6) characters in length.

Passwords must be a combination of alphabetic and numeric characters.

Passwords may not be the same for a user identification code as the last five (5) passwords used by this user identification code.

Individuals must assign their own passwords.

Passwords must be encrypted while stored on the computer.

User identification codes and passwords may not be shared.

(Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Court of Indiana, Chapter 14)



MARY DORSETT KILGORE
JENNINGS COUNTY CLERK OF THE CIRCUIT & SUPERIOR COURTS

Corrective Action Plan Finding 2013-009

Contact Person Responsible for Corrective Action: Mary Dorsett Kilgore
Contact Phone Number: 812-352-3073

Finding: This office was trained to do month and year end financial reporting by Odyssey representatives. The reports required to complete task were told to us by the same. Any report not presented for audit reconciliation was solely because this office was not made aware of its requirement.

Corrective Plan: As always, upon request, reports from Odyssey can be made available in minutes starting from our initial "go-live date," to present day.

Finding: In this office, "lack of segregation of duties," is not to be confused with employees being cross-trained. Due to budgeting and limited staffing, this office strives for quality public service by ensuring that every employee has the required knowledge to best serve the public in the event an employee is absent whom usually handles that specific request. If each duty listed in this condition had a dedicated staff person, it would require a staff of more than 11 separate staff persons for the financial aspects of this office alone. The financial workings are just a small percentage of the day to day obligations this office has.

Corrective Plan: Continue to spread duties when adequate staffing is available but not to defer providing quality service to the public of Jennings County.

Finding: The Clerk's Office has a total staff of one full time clerk, five deputies, and one part time worker. With daily foot traffic between 100 to 300 members of the public, lines can form and the office can get hectic. Though Odyssey does label each open session with the user name of the person logged in, it is possible a staff member could accidentally use another's user name.

Corrective Plan: All seven staff members are required to log into and log out of a new session of Odyssey when using either of the two front counter terminals.

Anticipated Completion Date: September 28, 2015

X *Mary Dorsett Kilgore*

Mary Dorsett Kilgore
Clerk, Jennings County Circuit Court

September 28, 2015

SEAL

Jennings County Clerk
25 Pike Street
Box 385
Vernon, IN 47282
812-352-3070

CLERK OF THE CIRCUIT COURT
JENNINGS COUNTY
AUDIT RESULTS AND COMMENTS

TRUST REGISTER NOT RECONCILED

Information from the 2012 audit disclosed that the Trust Fund balance (control account) of the old MHI trust accounts as shown did not reconcile to the Trust Register detail. The Clerk of the Circuit Court's Cash Book reported a balance of \$124,392.08, and the Trust Register detail of outstanding items only supported a balance of \$84,904.61 at December 31, 2012, a difference of \$39,487.47.

The Clerk of the Circuit Court's Office was unable to present evidence that the old MHI software trust accounts had been transferred to the current Odyssey software and accounted for in the Odyssey trust account balance.

We also noted a bank account with a balance of \$51,563 at December 31, 2013, that contained trust funds that were not accounted for in the Odyssey trust account software.

A similar comment was included in prior Reports B40952, B39062, B37790, B35761, B32043, and B30403 covering the years 2011, 2010, 2009, 2008, 2007, and 2006, respectively.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 13)

OFFICIAL BOND

The Clerk of the Circuit Court had an official bond in the amount of \$30,000 for 2013. Based on receipts reported in the prior year financial statement, this amount was not adequate.

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond:

- (1) City judges, controllers, clerks, and clerk-treasurers.
- (2) Town judges and clerk-treasurers.
- (3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks.
- (4) Township trustees.

CLERK OF THE CIRCUIT COURT
JENNINGS COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

(5) Those employees directed to file an individual bond by the fiscal body of a city, town, or county.

(6) Township assessors (if any).

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).

(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

(1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).

(2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee.

County auditors shall file bonds in amounts of not less than thirty thousand dollars (\$30,000), as fixed by the fiscal body of the county. The amount of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000)."

Corrective Action Plan and Response to Audit Findings of 2013, Jennings County Clerk of the Circuit & Superior Courts

To completely understand the deficiencies cited, it is important to provide some history and background about the operations of the Jennings County Clerk's office these past few years. Ronald Bloemer was Clerk from 2007-2010. Mary Dorsett Kilgore became Clerk on January 1, 2011. Cathy Robertson was a deputy clerk and became the bookkeeper under Bloemer. As a matter of practicality, Kilgore initially retained Robertson in those duties. It was Kilgore's directive from the beginning of her term that deputies would be cross trained. This directive was as a result of training Kilgore received from SBOA. Kilgore instructed Robertson to train Laura Cutter on the bookkeeping practices. Robertson would not follow through on this instruction. In early April 2011, Kilgore insisted that Robertson would train Cutter and Robertson refused. She quit that day and walked out. She had worked under Kilgore for approximately 3 months.

MHI was the case management and bookkeeping system in place at the beginning of Kilgore's term. There was no ability to track users in MHI. There was an "honor" system in place, that users would initial their work. Also, documentation could be deleted or altered with no checks or balances to track it. Additionally, the company had changed hands over the years, and there was minimal technical support from the company.

Kilgore facilitated implementation of Odyssey and it launched in December 2011. Odyssey uses logins. One can see which staff person inputs data. Also, data cannot be deleted or altered. In the event of a mistake, a notation of the error is entered and the correct entry added. From a management viewpoint, this is a vast amount more accountability than MHI. Plus, there is a professional staff available daily through JTAC to consult on its use.

Because Kilgore "inherited" books that were not balanced from the previous administration, there was reported to be an over-age, Odyssey could not do a "push" of the financial records. They would have to be moved over "manually", meaning that as each case was handled it would be looked up in MHI and data put in by the staff into Odyssey. Cutter was assisting in this process, and observed some irregular looking movement of bonds. Kilgore requested assistance from SBOA, and a lengthy investigation was conducted. Currently, Robertson is the suspect of an extensive theft, going back several years, and into the three months of her employment in Kilgore's administration, and SBOA's findings are in the hands of the ISP and the Jennings County Prosecutor.

Because of Robertson's refusal to assist in cross-training, and her abrupt departure from the Clerk's office, it seems that knowledge she could have shared about practices or lack thereof was not passed on to Kilgore and her remaining staff.

Condition

"All employees can process payment and share one cash drawer."

Response: Clerk will request additional allocation to purchase equipment to accomplish provision of individual drawers.

"There were no internal controls in place to ensure that each person was actually logging in to the Odyssey software under their own log in and password in order to issue receipts."

Response: Clerk respectfully disagrees in part with this statement. Each deputy has a computer at his/her own desk. Clerk has been very clear and firm that deputies are not to work under others log ins. There are two computers at the front counter with the cash drawer. There is no reason at this time to believe that the deputies were using each other's log ins, and Clerk has implemented policy that when finished at front counter and away from one's desk each person is to log out so the possibility of accidentally using someone else's log in won't exist. Clerk walks through the office and checks front counter and work stations frequently during the day.

"There was a lack of segregation of duties in that the bookkeeper can collect payments, issue receipts, county daily collections from the cashiers, make up bank deposit slips, and make bank deposits. Another employee opened mail, receipted in all mail items, handled the garnishments and issued the checks. "

Response: The current Clerk has focused on cross-training in her administration, so this is a focus in a different direction. It is the experience here that the staff works in concert at the end of the day, to insure cash and checks are accurate, and balanced. Jennings County has experienced challenges since a change in the State structure of property taxes. It isn't practical from a budget standpoint that the Bookkeeper duties would be completely separate from all other functions of the office. In other words, it would not be financially practical to have a deputy acting as only bookkeeper and performing no other duties. Although, there is a trend that certain employees perform the majority of the listed tasks, all of them can and do all these at one time or another.

"The Clerk's office did not provide Reconcilements of the bank balances to the book balances. Outstanding check list reports and deposits in transit reports were also not being prepared on a monthly basis. We were unable to prepare a bank reconciliation as of December 31, 2013, for audit purposed, due to a lack of supporting documentation, such as outstanding check lists, and deposits in transit."

Response: Clerk is working toward and coordinating with the bookkeeper to bring these practices into existence. Please, refer to the history cited at the opening of this response and also be aware that there has been employee turnover in the bookkeeper position.

In addition to the listed conditions and concerns, Clerk has a request for an executive session of the Jennings County Council to ask for an additional allocation. Clerk wishes to obtain a part time staff person to go over the last manually kept trust book and insure that all monies have been moved from MHI to Odyssey. Clerk's concern is that prior to her administration there may have been more theft than has been detected thus far.

SBOA has been exceeding professional and helpful in their guidance to this office.

CLERK OF THE CIRCUIT COURT
JENNINGS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 16, 2015, with Mary Dorsett Kilgore, Clerk of the Circuit Court; Josh Proctor, County Clerk First Deputy; Matt Sporleder, President of the Board of County Commissioners; Howard L. Malcomb, President of the County Council; and David Woodall, County Council member.

COUNTY COUNCIL
JENNINGS COUNTY

COUNTY COUNCIL
JENNINGS COUNTY
AUDIT RESULT AND COMMENT

COMPENSATION AND BENEFITS

A salary ordinance was not adopted by the County Council for the year 2013.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 5)

COUNTY COUNCIL
JENNINGS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 16, 2015, with Howard L. Malcomb, President of the County Council; Kay Sue Vance, County Auditor; David Woodall, County Council member; and Matt Sporleder, President of the Board of County Commissioners; and Murielle S. Bright, County Attorney.

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COUNTY SHERIFF
JENNINGS COUNTY

COUNTY SHERIFF
JENNINGS COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS

We noted several deficiencies in the internal control system of the County Sheriff's Office related to financial activities. There was a lack of segregation of duties in financial transactions. The Bookkeeper handled almost all the financial transactions for Inmate Trust, Commissary, and the County Sheriff's Cash Book. There were no procedures in place to ensure that bank reconciliements were performed and reviewed and/or approved by someone other than the Bookkeeper. In addition, there were no documented reviews and/or approvals of the various financial records by someone other than the Bookkeeper.

The old Inmate Trust #1 account (for inmates processed prior to June 2009) software monthly detail of individual inmate trust balances on hand (trust ledger) did not provide a total of all individual Inmate Trust balances, nor was a manual total calculated. The computerized accounting system transferred any prior balance inmates had from a previous booking to a new trust account; however, the balances from previous accounts were not removed. The software charged the Inmate Trust account for the cost of any medical or other supplies the inmate needed whether or not the inmate had trust funds on hand. This resulted in negative Inmate Trust balances when the inmate did not have adequate funds available at the time of release. The negative Inmate Trust balances were included in the Inmate Trust #1 trust register; however, these balances cannot be used in determining the outstanding trust balance since there isn't other available cash to offset those negative amounts. All cash collected and receipted into the trust accounts are specific to a particular inmate.

A reconciliation was not presented for audit for the total Inmate Trust balance and bank account balance. At December 31, 2013, the bank statement balance was \$20,580; outstanding checks were \$10,907, and the adjusted bank balance was \$9,673. There were no book transactions recorded or bank transactions noted for the calendar year 2013.

A similar comment was included in the prior 2012 Report B43476.

Indiana Code 36-8-10-22(c) states: "Upon discharge or release of an inmate from the county jail, the sheriff shall pay to that inmate or his legal guardian any balance remaining in his trust fund."

Indiana Code 32-34-1-20(c) states in part:

"Property that is held, issued, or owed in the ordinary course of a holder's business is presumed abandoned if the owner or apparent owner has not communicated in writing with the holder concerning the property or has not otherwise given an indication of interest in the property during the following times: . . ."

Indiana Code 32-34-1-26(a) states in part: "A holder of property that is presumed abandoned and that is subject to custody as unclaimed property under this chapter shall report in writing to the attorney general concerning the property . . ."

Indiana Code 32-34-1-27(a) states: "Except as provided in subsections (b) (c), on the date a report is filed under section 26 of this chapter, the holder shall pay or deliver to the attorney general the property that is described in the report as unclaimed."

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

COUNTY SHERIFF
JENNINGS COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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.

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OFFICIAL BOND

The County Sheriff had an official bond in the amount of \$30,000 for 2013. Based on information available, this amount was not adequate.

Indiana Code 5-4-1-18 states in part:

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- (4) Township trustees.
- (5) Those employees directed to file an individual bond by the fiscal body of a city, town, or county.
- (6) Township assessors (if any).

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).

(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

COUNTY SHERIFF
JENNINGS COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
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COUNTY SHERIFF
JENNINGS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 16, 2015, with Kay Sue Vance, County Auditor, Matt Sporleder, President of the Board of County Commissioners; David Woodall, County Council member; and Murielle S. Bright, County Attorney.

The contents of this report were also discussed on September 17, 2015, with Gary M. Driver, County Sheriff; Colonel Jeffrey S. Day; and Kim Lainhart, Matron.

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COUNTY HIGHWAY
JENNINGS COUNTY

COUNTY HIGHWAY
JENNINGS COUNTY
AUDIT RESULT AND COMMENT

RECEIPT ISSUANCE

Receipts were not being issued by the County Highway staff when collecting funds for fairground rentals.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY HIGHWAY
JENNINGS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 16, 2015, with Matt Sporleder, President of the Board of County Commissioners; Kay Sue Vance, County Auditor; Howard L. Malcomb, President of the County Council; David Woodall, County Council member; and Murielle S. Bright, County Attorney.