

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WARRICK COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED

01/15/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	L. B. "Dixie" Dugan Deborah K. Stevens	01-01-11 to 12-31-14 01-01-15 to 12-31-18
County Treasurer	Patricia A. Brooks	01-01-13 to 12-31-16
Clerk of the Circuit Court	Sarah E. Redman Patricia E. Perry	01-01-13 to 10-12-15 10-13-15 to 12-31-16
County Sheriff	Brett W. Kruse	01-01-11 to 12-31-18
County Recorder	Yvonne Hughes	01-01-13 to 12-31-16
President of the Board of County Commissioners	Don Williams	01-01-14 to 12-31-15
President of the County Council	Gary Meyer	01-01-14 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF WARRICK COUNTY, INDIANA

This report is supplemental to our audit report of Warrick County (County), for the period from January 1, 2014 to December 31, 2014. 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

October 13, 2015

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COUNTY AUDITOR
WARRICK COUNTY

COUNTY AUDITOR
WARRICK COUNTY
FEDERAL FINDINGS

***FINDING 2014-001 - INTERNAL CONTROLS AND COMPLIANCE
OVER FINANCIAL REPORTING - COUNTY AUDITOR***

The County did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the financial statement. The County should have proper controls in place over the preparation of the financial statement to ensure accurate reporting of all funds included in the financial statement. Without a proper system of internal controls in place that operates effectively, material misstatements of the financial statement could remain undetected.

Due to new legislation, Redevelopment Commission funds were to come under the control of the County as of July 1, 2014. The funds from the Redevelopment Commission totaling \$4,042,549 did not come under the control of the County and, therefore, the funds were not included in the County Auditor's ledger as of December 31, 2014.

During the audit of the financial statement, we noted the following errors:

1. Three investments totaling \$1,318,822 were not included in the beginning balance of the fund from which the investment was purchased.
2. The purchase of an investment of \$965,000 was not included in the Reassessment fund.
3. December monthly receipts and disbursements were reported for the Settlement fund instead of the yearly total of receipts and disbursements resulting in the receipts being understated by \$40,192,894 and disbursements being understated by \$40,192,896.
4. The five funds relating to the Redevelopment Commission were not included on the financial statement resulting in the following understatements: receipts by \$4,296,292, disbursements by \$253,743, and ending cash by \$4,042,549.
5. Several funds contained trivial errors to receipts and/or disbursements.

Audit adjustments were proposed, accepted by the County Auditor, and made to the financial statement presented in this report.

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
WARRICK COUNTY
FEDERAL FINDINGS
(Continued)

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."

Indiana Code 36-7-14-8(b) states in part:

"The fiscal officer of the unit establishing a redevelopment commission is the treasurer of the redevelopment commission. Notwithstanding any other provision of this chapter, the treasurer has charge over and is responsible for the administration, investment, and disbursement of all funds and accounts of the redevelopment commission in accordance with the requirements of state laws that apply to other funds and accounts administered by the fiscal officer."

FINDING 2014-003 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The County did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The County should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors:

1. One program was omitted from the schedule.
2. Two grants were included that were not federal programs.
3. Several grants were reported for the incorrect amount.
4. Several program names were reported incorrectly.

Audit adjustments netting to \$61,026 were proposed, accepted by the County, and made to the SEFA presented in this report.

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)

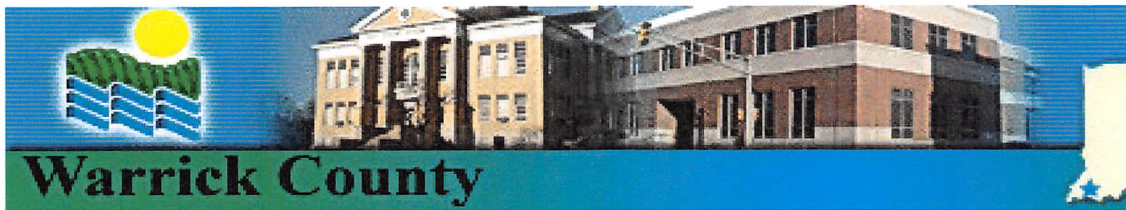
COUNTY AUDITOR
WARRICK COUNTY
FEDERAL FINDINGS
(Continued)

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.
- (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, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."



Deborah K. Stevens
Auditor
Judicial Center Building
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Boonville, Indiana 47601
812-897-6110
dstevens@warrickcounty.gov

Finding 2014-001

Description of Corrective Action Plan:

In reporting the Annual Financial Report for Warrick County, I relied on the current software system to interface with the Gateway system and electronically uploaded the financial data. Due to coding of data in our financial software system not being completely compatible with the Gateway system, several receipts and disbursements were not captured in the upload between systems. The result was incorrect data reported in the Annual Financial Report. Corrective action for reporting future data will be to manually enter all figures for the Annual Financial Report into Gateway. While this may not be the most efficient method for entry, I do not have confidence in our current financial software to interface with the Gateway system.

I will review the investments and beginning balances with the elected officials responsible for reporting account information outside of the county's Treasurer's cashbook totals.

By statute the funds for the Redevelopment Commission were to be receipted into the county funds in July, 2014. This did not happen under the previous Administration. In an effort to correct this, I am currently working with the Redevelopment Commission and State Board of Accounts to follow the appropriate process to move the funds from Warrick County Redevelopment Commission to Warrick County funds.

Anticipated completion date: By November 30, 2015

Finding 2014-003

In response to errors in reporting the Federal Awards, I believe we have good internal controls in place at this time. We have separated all receipting of awards into the respective files. We are currently providing weekly transaction history reports to help the department heads reconcile receipts and disbursements. We will review receipts and disbursements for each award with the department heads responsible for those transactions, prior to the end of the year to ensure all accounting is correct.

Anticipated completion date: By December 31, 2015

Respectfully,

Deborah K. Stevens
Warrick County Auditor

COUNTY AUDITOR
WARRICK COUNTY
AUDIT RESULTS AND COMMENTS

APPROPRIATIONS

The records presented for audit indicated the following expenditures were made by the County Auditor in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Parks and Recreation	2014	<u>\$ 2,988</u>

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."

ANNUAL REPORT

The Annual Report for 2014 was not filed by the due date. It was not filed electronically until March 4, 2015.

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
WARRICK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 13, 2015, with Deborah K. Stevens, County Auditor; B.J. Farrell, Chief Deputy County Auditor; Don Williams, President of the Board of County Commissioners; and David Hachmeister, Council member.

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CLERK OF THE CIRCUIT COURT
WARRICK COUNTY

CLERK OF THE CIRCUIT COURT
WARRICK COUNTY
FEDERAL FINDING

***FINDING 2014-002 - INTERNAL CONTROLS AND COMPLIANCE OVER
FINANCIAL REPORTING - CLERK OF THE CIRCUIT COURT***

The Clerk of the Circuit Court (Clerk) did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Supplemental Annual Financial Report (Annual Report). The Clerk should have proper controls in place over the preparation of the Annual Report to ensure accurate reporting of all funds included in the report. Without a proper system of internal control in place that operates effectively, material misstatements of the Annual Report could remain undetected. The Annual Report is used in the preparation of the County's financial statement.

During the audit of the Annual Report, we noted the following errors:

1. Receipts as reported did not include child support receipts from the ISETS system totaling \$676,141.
2. The purchase price of two court ordered trust investments totaling \$56,046 were not included in reported receipts.
3. Disbursements of child support totaling \$675,275 from the ISETS system were not reported.

Audit adjustments were proposed, accepted by the Clerk, and made to the financial statement presented in this report.

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 Courts of Indiana, Chapter 13)

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."

Warrick County Clerk of Circuit Court

Sarah E. Redman
Clerk

One County Sq. Suite 200
Boonville, IN 47601

• (812) 897-6160 • clerk@warrickcounty.gov • (812) 897-6400 fax •

CORRECTIVE ACTION PLAN

FINDING 2014-002

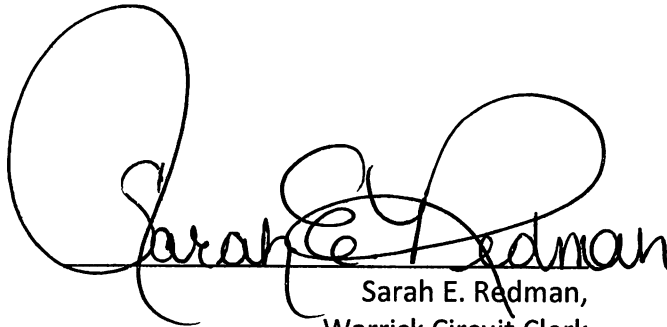
Contact Person Responsible for Corrective Action: Sarah E. Redman
Contact Phone Number: 812-897-6163

Description of Corrective Action Plan:

The Warrick County Clerk's office will take steps to improve the internal controls the following ways:

- 1) ISETS receipts: Every month, our Child Support department will report that month's receipts for balancing. Our Bookkeeper will create an excel spreadsheet that will show all receipts monthly and tally for the end of the year reporting. Our office will then compare beginning and end balances to verify.
- 2) Trust Investments: We are immediately implementing a procedure to be monitored showing all trust investments currently held by the Warrick County Clerk's office. This master list will contain all initial investments, all closed during that year as well as any accumulated interest. This master list will also help to eliminate the possibility of overlooking an investment for year end reporting.
- 3) ISETS disbursements: Every month, our Child Support department will report that month's disbursements for balancing. Our Bookkeeper will create an excel spreadsheet that will show all disbursements monthly and tally for the end of the year reporting. Our office will then compare beginning and end balances to verify.

Anticipated Completion Date: October 31, 2015



Sarah E. Redman,
Warrick Circuit Clerk

October 13, 2015

CLERK OF THE CIRCUIT COURT
WARRICK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 13, 2015, with Sarah E. Redman, former Clerk of the Circuit Court; Patricia E. Perry, Clerk of the Circuit Court; Don Williams, President of the Board of County Commissioners; and David Hachmeister, Council member.

COUNTY SHERIFF
WARRICK COUNTY

COUNTY SHERIFF
WARRICK COUNTY
AUDIT RESULT AND COMMENT

SUPPORTING DOCUMENTATION

We noted the following disbursements from the Sheriff's Commissary fund did not have supporting documentation to support the purchases.

<u>Date</u>	<u>Amount</u>	<u>Payee</u>	<u>Description of Purchase (if any)</u>
01-03-14	\$ 3,000.00	Mike Wilder	Buy Money (memo line on check)
04-02-14	2,000.00	Bryan Flowers	
04-14-14	1,913.70	Brett Kruse	Paid from credit card statement
06-11-14	10.00	BMV	
09-04-14	15.00	BMV	
09-16-14	21.00	BMV	
09-23-14	2,000.00	Bryan Flowers	Money (memo line on check)
09-29-14	490.00	Post Office	
10-15-14	345.48	Staples	
10-16-14	237.54	LaQuinta Inn	
10-26-14	237.54	LaQuinta Inn	
10-28-14	15.00	BMV	
11-03-14	214.29	Lewis Bakeries	
12-01-14	600.00	B. Flowers	
12-02-14	215.28	Lewis Bakeries	
12-11-14	<u>490.00</u>	Post Office	
Totals	<u>\$ 11,804.83</u>		

Due to the lack of supporting information, we could not verify the purpose of the disbursements.

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 Counties of Indiana, Chapter 1)

COUNTY SHERIFF
WARRICK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 13, 2015, with Brett W. Kruse, County Sheriff; Don Williams, President of the Board of County Commissioners; and David Hachmeister, Council member.

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COUNTY TREASURER
WARRICK COUNTY

COUNTY TREASURER
WARRICK COUNTY
FEDERAL FINDING

**FINDING 2014-004 - INTERNAL CONTROLS AND COMPLIANCE
OVER CASH BOOK - COUNTY TREASURER**

The County Treasurer did not have a proper system of internal controls in place to ensure that all bank accounts are included on the Cash Book. Due to new legislation, Redevelopment Commission funds were to come under the control of the County Treasurer as of July 1, 2014. The bank accounts of the Redevelopment Commission totaling \$4,042,549 did not come under the control of the County Treasurer and were not included on the Cash Book as of December 31, 2014. The County Treasurer should have proper controls in place over the Cash Book to ensure accurate reporting of all bank accounts.

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)

Indiana Code 36-7-14-8(b) states in part:

"The fiscal officer of the unit establishing a redevelopment commission is the treasurer of the redevelopment commission. Notwithstanding any other provision of this chapter, the treasurer has charge over and is responsible for the administration, investment, and disbursement of all funds and accounts of the redevelopment commission in accordance with the requirements of state laws that apply to other funds and accounts administered by the fiscal officer."

Indiana Code 5-13-5-1(a) states:

"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."



**WARRICK COUNTY TREASURER
PATRICIA A. BROOKS**

Treasurer

Warrick County Judicial Center
One County Square, Suite 270
Boonville, IN 47601

Phone: 812-897-6166 Fax: 812-897-6167
pbrooks@warrickcounty.gov

CORRECTIVE ACTION PLAN

FINDING 20.14-004 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action:

Contact Phone Number:

Pat A. Brooks (812) 897-6166

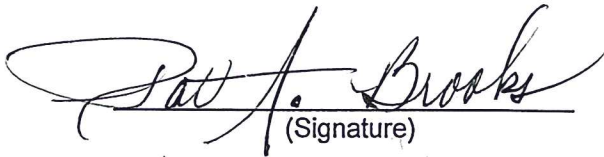
Description of Corrective Action Plan:

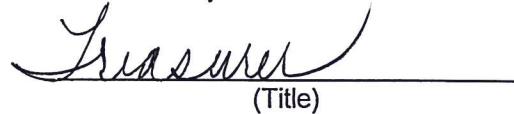
The Treasurer's office will take on the additional work, accounts, and responsibilities as required by State Board of Accounts.

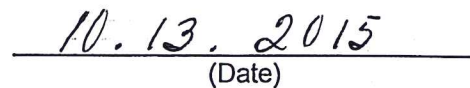
1. When the Redevelopment Commission has all the accounts in balance and the Auditor and Treasurer can ascertain the correctness of the various accounts.
2. The funds shall be wired or deposited into Old National Bank into an account designated by the Treasurer's office.
3. This will occur before the end of the year 2015.

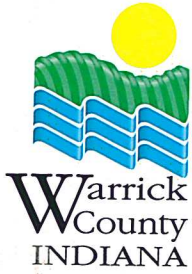
Anticipated Completion Date:

This will occur before the end of the year 2015.


(Signature)


(Title)


(Date)



**WARRICK COUNTY TREASURER
PATRICIA A. BROOKS**

Treasurer

Warrick County Judicial Center
One County Square, Suite 270
Boonville, IN 47601

Phone: 812-897-6166 Fax: 812-897-6167

pbrooks@warrickcounty.gov

October 8, 2015

RESPONSE to SBOA Audit Finding 2014-004

RE: TIF Overhaul (SEA 118)

I express in the most absolute manner my objection to this finding. I had no information or knowledge of the existence of this money nor the funds being assigned to my office. The funds were kept by the Redevelopment Commission.

The law states in Section (b):

(b) The FISCAL OFFICER OF THE UNIT ESTABLISHING a Redevelopment is the Treasurer.

I did not establish a Redevelopment Commission or TIF District. As a matter of fact I was never invited to or notified of any meeting that involved me as the Warrick County Treasurer. **There is nothing in the law that states, "County Treasurer"**.

I cannot know about a fund or **TIF District Overhaul** when nothing in my instructions or from the fiscal body state that I am to be the treasurer.

Thank you.

Pat A. Brooks

Pat A. Brooks

Warrick County Treasurer

COUNTY TREASURER
WARRICK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 13, 2015, with Patricia A. Brooks, County Treasurer; Don Williams, President of the Board of County Commissioners; and David Hachmeister, Council member.

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COUNTY COUNCIL
WARRICK COUNTY

COUNTY COUNCIL
WARRICK COUNTY
AUDIT RESULT AND COMMENT

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations and the County Council did not obtain the necessary additional appropriation.

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Parks and Recreation	2014	<u>\$ 2,988</u>

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 COUNCIL
WARRICK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 13, 2015, David Hachmeister, Council member, and Don Williams, President of the Board of County Commissioners.