

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

COUNTY AUDITOR

JENNINGS COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
02/23/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Janice L. Ramey Kay S. Vance	01-01-11 to 12-31-14 01-01-15 to 12-31-18
President of the County Council	Howard L. Malcomb	01-01-14 to 12-31-16
President of the Board of County Commissioners	Matt Sporleder	01-01-14 to 12-31-16



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, 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

February 23, 2016

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COUNTY AUDITOR
JENNINGS COUNTY

COUNTY AUDITOR
JENNINGS COUNTY
FEDERAL FINDINGS

FINDING 2014-001 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - COUNTY AUDITOR

The County did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The County Auditor relies on each department to report their federal financial assistance activities for use in preparing the SEFA. The County Auditor inputs the grant information received from the departments into the grant schedule section of the Annual Financial Report from which the SEFA is prepared. No evidence was provided that the information presented by each department to the County Auditor was verified to the financial records prior to entering the information in the Annual Financial Report. Additionally, no evidence was presented that there was oversight, review, approval, or other compensating controls to verify the accuracy of the information and amounts reported in the Annual Financial Report.

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. Six federal grants with a total of \$1,057,183 in expenditures were not reported.
2. The expenditures were overstated on three grants reported in the amount of \$35,439.

These errors resulted in the expenditures reported in the SEFA being understated in the amount of \$1,021,744.

Audit adjustments 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)

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:

COUNTY AUDITOR
JENNINGS COUNTY
FEDERAL FINDINGS
(Continued)

- (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."

FINDING 2014-003 - FINANCIAL TRANSACTIONS AND REPORTING - COUNTY AUDITOR

Condition of Records

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 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 made properly.

COUNTY AUDITOR
JENNINGS COUNTY
FEDERAL FINDINGS
(Continued)

5. 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.

Financial Reporting

The County failed to design and implement effective internal 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 identify 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 the Clerk of the Circuit Court's ISETS and MCH Funds and that information was not included in the financial statement presented in this report.

Financial Transactions

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.

During 2014, 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 based upon the management reports or as a result of decisions made by employees of the County Auditor's Office. 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.

Disbursements

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 County Auditor did not have sufficient internal controls to ensure that adequate documentation was maintained to support the validity of disbursement transactions.

COUNTY AUDITOR
JENNINGS COUNTY
FEDERAL FINDINGS
(Continued)

Payroll

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 County Auditor did not have sufficient internal controls to ensure that adequate documentation was maintained to support the validity of payroll transactions.

Due to the weaknesses in internal controls and the condition of records as noted for Condition of Records, Financial Reporting, Financial Transactions, Disbursements and Payroll, 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)

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 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)

COUNTY AUDITOR
JENNINGS COUNTY
FEDERAL FINDINGS
(Continued)

FINDING 2014-005 - ACTIVITIES ALLOWED OR UNALLOWED; ALLOWABLE COSTS/COST PRINCIPLES; CASH MANAGEMENT; DAVIS-BACON ACT; MATCHING, LEVEL OF EFFORT, EARMARKING; AND PERIOD OF AVAILABILITY OF FEDERAL FUNDS

Federal Agency: 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
Direct Grant

Management of 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 that have a direct and material effect to the program. Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis-Bacon Act; Matching, Level of Effort, Earmarking; and Period of Availability of Federal Funds.

The County hired a consultant to administer all aspects of the grant program. The County Officials relied upon the Grant Administrator 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 contracted engineer ensured compliance with all applicable requirements. The President of the Board of County Commissioners signed reports and paperwork; however, there was no evidence of review by anyone other than the person preparing the reports or paperwork.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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 an effective internal control system could enable material noncompliance with the grant agreement and the compliance requirements to go undetected. A lack of segregation of duties within an internal control system could also allow 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 of the grant agreement or the compliance requirements could result in the loss of federal funds to the County.

We recommended that the County's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

COUNTY AUDITOR
JENNINGS COUNTY
FEDERAL FINDINGS
(Continued)

FINDING 2014-006 - REPORTING

Federal Agency: 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
Direct Grant

The County has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirement over Reporting.

The County hired a consultant to administer all aspects of the grant program. The County 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 County Auditor established separate funds to account for the financial activity for each grant; 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 the 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 funds was not established within the fund to identify the various receipt and disbursement transactions related to this grant.

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 financial records and 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 Board 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.

The semiannual Federal Financial Form (Form 425) submitted on April 4, 2014, for the period ending March 31, 2014, and the Final Federal Financial Report (Form 425) submitted on July 10, 2014, were incorrect. The amounts reported for recipient share of expenditures were incorrect.

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."

COUNTY AUDITOR
JENNINGS COUNTY
FEDERAL FINDINGS
(Continued)

15 CFR 24.20(b) states in part:

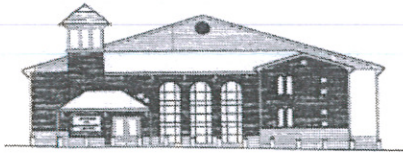
"The financial management systems of other grantees and subgrantees must meet the following standards:

- (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 adequate internal control system in place which resulted in noncompliance with the federal requirement for Reporting.

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 requirement for Reporting.



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

Kay S Vance - Contact Person
Auditor of Jennings County
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February 22, 2016

Finding 2014 – 001 - Schedule of Expenditures of Federal Awards - County Auditor

The Auditor will prepare a worksheet of Federal Awards to keep track of receipts and disbursements being made.

Finding 2014 – 003 – Financial Transactions and Reporting – County Auditor

The Auditor has hired a new Claims Deputy who has been instructed and trained to document everything thoroughly. Claims are to be fully filled out and properly signed and verified prior to payment.

The Settlement Deputy is new to this procedure but has taken training and instruction to help with the process.

The Auditor has hired a new Payroll Deputy who has been in constant contact with the SBOA and the IRS to ensure proper procedures and correct withholdings have been followed.

The Auditor has the Claims Deputy balancing the Fund Account monthly.

The County Council had hired a financial firm prior to the Auditor taking office and so they handled the adjustments that needed to be made for 2014.

Finding 2014 – 005 - Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis Bacon Act; Matching, Level or Effort, Earmarking; and Period of Availability of Federal funds and Finding 2014 – 006 Reporting

The grant mentioned in this finding was for the Butlerville sewer project and this project has since closed out. The Auditor shall make sure proper receipts and disbursement accounts on future projects be accounted for on a worksheet and keep in constant contact with the Grant Administrator.

As Auditor, I intend to have these findings resolved by the end of 2016. I am the contact person and all my contact information is shown above.

Kay Sue Vance
Kay Sue Vance

Auditor
Title

Feb. 22, 2016
Date

COUNTY AUDITOR
JENNINGS COUNTY
AUDIT RESULTS AND COMMENTS

ANNUAL REPORT

The Annual Report for 2014 provided through Gateway contained a number of errors and did not properly reflect the financial activity of the County.

The Annual Report did not include activity from the outside departments including the Sheriff's Inmate Trust; Sheriff's Commissary; Clerk of the Circuit Court's Indiana Support Enforcement Tracking System (ISETS), Clerk MHI Trust and the court records system (Odyssey); and the Treasurer's After Settlement Collections.

The County Auditor did not properly classify the disbursements on the annual report. For some funds, the amounts reported for personal services included disbursements other than personal services.

Some funds were included with the wrong fund name.

The supplemental schedules provided with the Annual Report contained numerous errors. The Schedule of Capital Assets was not presented as a supplemental schedule to the Financial Statement and Single Audit Report because there was no documentation to support the capital asset figures reported by the County. The Schedule of Leases and Debt contained numerous errors and adjustments were proposed, accepted by the County, and made to the Schedule of Leases and Debt as presented with the Financial Statement and Single Audit Report.

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."

CONDITION OF RECORDS

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.

A similar comment appeared in prior Report B45649.

Some of the deficiencies in financial transactions include:

1. Numerous transactions were recorded in 2014, but were backdated to 2013 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 \$101,009 for contracted financial consulting services in 2014 were issued and not recorded and EFT payments of \$646,140 for payroll taxes in 2014 were issued and not recorded.

COUNTY AUDITOR
JENNINGS COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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.
4. The electronic deposits included four deposits totaling \$44,974 that the County Auditor's staff were unable to identify as being recorded in 2013 or 2014.

Financial records presented for audit were incomplete and not reflective of the activity of the Payroll Funds. The records presented did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

Some of the deficiencies in payroll transactions include:

1. No disbursements were posted to the Payroll Withholding - State and Payroll Withholding - Local funds (#5361 & #5354) for October through December of 2013. In addition, there were no disbursements posted to these funds for the first 7 1/2 months of 2014.

Amounts posted to the County Auditor's funds ledger for disbursements for these two funds included adjustments of \$319,550 posted as of December 31, 2014. No supporting documentation for the adjustments was presented for audit. The posting of these adjustments resulted in the total disbursements posted to the County's funds ledger exceeding the disbursements which should have been posted for 2013 and 2014 by \$9,150.

2. Errors in posting to the Payroll Withholding - Federal Fund caused an overstatement in receipts of \$193,667 and an overstatement in disbursements of \$404,577.
3. Errors in posting to the Payroll Withholding - FICA & Medicare Fund caused an overstatement of \$304,219 and an overstatement in disbursements of \$444,112.

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 14)

PENALTIES, INTEREST, AND OTHER CHARGES

The County paid penalties, interest, and other charges as a result of not remitting payroll withholding taxes and other disbursements on a timely basis.

A similar comment appeared in prior Report B45649.

COUNTY AUDITOR
JENNINGS COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Vendor	Penalties and Interest
Charged to Officials:	
Indiana Department of Revenue	\$ 2,181.42
Comcast	9.50
Total Charged to Officials	2,190.92
Not Charged to Officials:	
United States Treasury	93,548.39
Dave O'Mara Contractor	43,757.66
Total Not Charged to Officials	137,306.05
Total Penalties, Interest, and Other Charges	\$ 139,496.97

The former County Auditor, Janice Ramey, and her Deputy, Lori Leahigh, had Official Bonds issued by Auto-Owners Insurance. The County filed a claim with Auto-Owners Insurance against both of their bonds for the late payments made to the Internal Revenue Service (IRS). The insurance company reimbursed the County for the amount of the Official Bonds. The reimbursement amounts received by the County were \$30,000 for Janice Ramey and \$10,000 for Lori Leahigh. Janice Ramey petitioned the IRS to remove the penalties and interest. The IRS agreed to remove all the penalties and interest charged and issued the County a refund on April 12, 2016. The County will be responsible for refunding Auto-Owner Insurance for the amount received on the claim filed against the Official Bonds. Due to the refund from the IRS, no officials were charged for the penalties and interest totaling \$93,548.39.

Based on information provided by the Grant Administrator, interest payments were made to Dave O'Mara Contractor, Inc., and were related to a riverboat grant from the City of Lawrenceburg. Grant funds were not received from the City of Lawrenceburg as scheduled, so Jennings County did not have adequate funds to pay the contractor on a timely basis. No officials were charged for the total interest paid of \$43,757.66.

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)

We requested Janice Ramey, former County Auditor, to reimburse the County \$2,190.92 for penalties, interest, and other charges. (See Summary of Charges, page 29)

COUNTY AUDITOR
JENNINGS COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS OVER PAYROLL

The County failed to design and implement effective controls over payroll to prevent, or detect and correct, material misstatements.

A similar comment appeared in prior Report B45649.

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.
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.

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)

RECEIPT ISSUANCE

Sheriff's Department collections of \$3,078 for October 2014 were dated as remitted to the County Auditor on October 31, 2014, and collections for November 2014 of \$2,354 were dated as remitted on November 30, 2014. Receipts for these collections were issued by the Auditor on January 23, 2015.

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)

OVERDRAWN CASH BALANCES

The financial statements presented in the Financial Statement and Federal Single Audit Report included the following funds with overdrawn cash balances at December 31, 2014.

A similar comment appeared in prior Report B45649.

Fund	Amount Overdrawn
Animal Control	\$ 74,809
E911 Landline	45,641
Tax Sale Costs	35,789
Tax Sale Redemption	369
GAL/CASA	41,959
Recycling Center	28,245
Payroll FICA	16,839
Payroll State Tax Withholding	6,399
CVET	35,784
Special Death Benefit	1,715
Coroners Continuing Education	858
North Vernon Sewer	2,957
Court Security	19,279
EMS HSCP Grant	7,853
Garnishments	800
County Misdemeanant Fund	602
Payroll - AFLAC	1,123
Carnegie Library Plan Grant	475

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 Manual for County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR
 JENNINGS COUNTY
 AUDIT RESULTS AND COMMENTS
 (Continued)

ERRORS ON CLAIMS

A test of claims identified the following deficiencies:

1. Claims were not prepared for several disbursements tested. The majority of these disbursements were payroll withholdings and settlement fund disbursements.
2. Several claims tested were paid from summary statements and not the individual invoices.
3. Documentation of the County Auditor certifying the claims and the Board of County Commissioner approving the claims was not provided for several claims tested.

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. . . ."

CASH BALANCES - SETTLEMENT

The following funds should have been closed by December 31, 2013, but still had a balance on December 31, 2014:

Fund Name	Balance December 31, 2014
Corp Debt Service	\$ 2,528
Corporation General	8,155
North Vernon Sewer	(2,957)
Campbell Sewer Lien	1,856

COUNTY AUDITOR
JENNINGS COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

These additional settlement funds should have been closed on December 31, 2014, but instead had the following balances:

Fund Name	Balance December 31, 2014
Settlement	\$ 20,797
HEA State Homestead Credit	2,025
CAGIT Distribution	1,069
CEDIT Distribution	198,941
State Welfare Excise	2
CVET	(35,784)

The \$198,941 is due to Jennings County since they only received 9 monthly distributions instead of 12 in 2014.

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)

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 14)

APPROPRIATIONS

The records presented for audit indicated the Health Department expenditures were in excess of budgeted appropriations by \$15,325.

A similar comment appeared in prior Report B45649.

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)

**COUNTY TREASURER AND COUNTY AUDITOR EXCISE
TAX RECONCILIATION SETTLEMENT WORKSHEET**

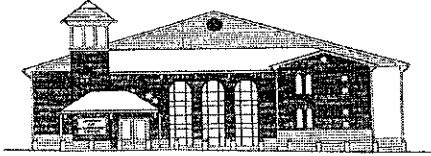
The County Auditor's and County Treasurer's excise tax reconciliation worksheet filed with the Auditor of State's office for the spring and fall settlement did not agree with the County's supporting documentation. The total amount reported on line 1 as County Treasurer Certified Excise Tax of taxes reported for spring and fall was \$477,562 more than the amount on the County Auditor's Excise Tax Summary Report By Taxing Unit. The amount of Excise Tax to be Distributed at Settlement was \$208 more than the amount on the County Auditor's Certification of Tax Distribution, Form 22.

Line 8: Excise Tax Received After The Auditor Cut-Off Date was \$364,838, but could not be verified since the County Auditor did not keep records to support this amount. The amount of Excise Taxes on the County Treasurer's Cash Book on December 31, 2014 was \$355,409.

The Reconciled Difference, line 10 should be zero, but was \$52,014 on the spring settlement.

County Form No. 24F, County Auditor's Record of Annual License Excise Tax, has been designed to account for the amounts received, the amounts distributed at each semiannual tax settlement and the balance of license excise tax on hand. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 9)

At the time of each semiannual tax settlement the county treasurer shall report such tax collections, together with the auto rental excise tax and aircraft license excise tax collections discussed in this section, on County Form No. 49TC, County Treasurer's Certificate of Tax Collections, and the total shown by the auditor's records shall be verified with the treasurer's certificate before distribution is made. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 9)



Jennings County Government Center
200 East Brown Street, Vernon, IN. 47282
jlramey@jenningscounty-in.gov

Recorder of Jennings County
Janice L. Ramey
200 East Brown Street
PO Box 397
Vernon, IN 47282
Phone: 812-352-3053 Fax: 812-352-3096

March 7, 2016

Dear Sir:

I am asking for an extension on my audit. I have sent paperwork to the IRS, asking to remove the penalties. I received the green card back today. The copy of the paperwork is enclosed. A letter to the State Board Accounts is enclosed.

Please give me an extension for a little while. I don't know how long it will take to get a response from the IRS.

Thank you,
Janice L. Ramey

To State Board of Accounts

First I will apologize to you for not doing my job. I am so ashamed.

The last two years being Auditor has been terrible. I lost an employee for using Reedy Finance so much for 2013. The one office in the County that takes care of all business.

I had no ideal that the bookkeeper was not doing her job. I questioned her asking if she needed help and if everything was good. Of course, everything was good. If I had known what she was not doing her job, I surely would not taken her to the recorder's office with me.

Reedy was doing the accounting for 2014. We were told to do what they told us to do and not to bad-mouth Reedy. For the last 6 months in 2014, I copied all claims, and Reedy picked them up. This was done to make sure the claims were filed

with the correct items numbers.
I don't understand how a total
of \$452,388.94 got through their
financial system and why my
bookkeeping only filed Taxes for
6 months at different times. Reedy
balanced our books for the end
of the year 2014.

I feel at this time I am
a victim of circumstances.

I ask forgiveness for my
mistakes. I have worked all
my life and tried to always
do a good job. This is all
I have to offer.

Janice

And My Lord said, be patience
and wait.

To whom it may concern:

Tax period-March 31-2014-December 31-2014

Form # 941 Kind of penalty – Failure to deposit.

(1)

My name is Janice L. Ramey. I was the county auditor for the period of March 3rd to December 31, 2014. I did not know that the payroll taxes had not been paid until I received a letter from the county attorney stating that the County Commissioners were requesting to make a claim on my \$30,000.00 held through our insurance company. I have been the county auditor from 2007 to 2014. The Board of Commissioners requested to make the claim because I had not paid payroll taxes for employees for the year of 2014, which totaled \$452,388.94, and resulted on \$90,000.00 in interest penalties.

(2)

On November 2013 my first deputy was accused of fraud. She had worked at the County Clerk Office for 4 years. When the new clerk was elected she discovered that she had taken \$66,000.00 from the bond money. Of course when this happened I had to let her go. This caused me to have to hire a new bookkeeper and first deputy. From the information I received from the Auditor's Office looks like she paid the taxes until the month of October. I had no idea that she had not paid the taxes. A bookkeeper's job is paying payroll and paying payroll taxes. When I was elected recorder in 2014 I took this employee to the recorder's office with me. I did not know that she had not taken care of business.

(3)

State Board of Accounts finished my audit for 2014 on Tuesday February 23, 2016. I was asked to reimburse \$55,739.31 for the remaining amount of penalties and interest paid for 2014. The insurance paid my bond for \$30,000.00 and \$10,000.00 for my deputy. Their paperwork said "Be advised, that they are obligated to pay this claim under the bond." The payment for me will be \$3,000.00 down and \$499.00 a month for 5 years. There is no way that in my life time will I be able to pay this debt. I feel that I am a victim of circumstances.

(4)

We had a lot going on at this time in 2014. County Council hired a financial advisor in 2013 for 2014, and cut my staff one person, because we had to use their services more than what had been budgeted. This was told to me in the budget meeting for 2014. This person's salary was used to pay the accountant. The auditor's office is the main hub for the county, and we really struggled in the office at this time. I was the auditor from 2007 until 2014. Wonder why an accountant didn't realize that there was a problem? If you check your records you will find that we did take care of business.

I hope that you will understand my circumstances. I feel that it was difficult in the office for my employees to double up on their work load and be responsible in a timely manner. I do apologize to the IRS if I did not do my job, but I thought I had done my job. I am an elected official for Jennings County, and have served 17 years with honesty and integrity. Things do happen.

Please, I beg you to remove the penalty as charged for the county. I am 75 years old, and work every day of my life. My salary is \$37,708.00 a year. The county has no retirement for county employees.

I have included the extra paper work that I think you will need. The State Board of Accounts gave me 10 days to reply to this claim. The Auditor has paid all claims and all penalties at this time.

And My Lord said be patience and wait.

I can be reached at 812-352-3054 Recorder's Office

The address for my office : Jennings County Recorder

P.O. Box 397

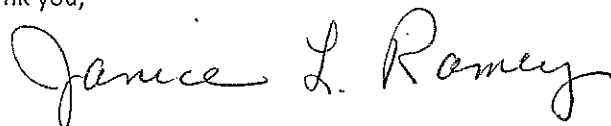
Vernon, In. 47282

Or: Jennings County Auditor Kay Vance

P.O. Box 383

Vernon, In. 47282

Thank you,

A handwritten signature in cursive script that reads "Janice L. Ramey". The signature is written in black ink and is positioned below the "Thank you," text.

COUNTY AUDITOR
JENNINGS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 23, 2016, with Janice L. Ramey, former County Auditor; Kay S. Vance, County Auditor; Matt Sporleder, President of the County Commissioners; Howard Malcomb, President of the County Council; Paul Belding, County Council member; and David Woodall, County Council member.

COUNTY AUDITOR
JENNINGS COUNTY
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Janice L. Ramey, former County Auditor:			
Penalties, Interest, and Other Charges, pages 16 and 17	<u>\$ 2,190.92</u>	<u>\$ -</u>	<u>\$ 2,190.92</u>

This report was forwarded to the Office of the Indiana Attorney General.

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AFFIDAVIT

STATE OF INDIANA)
)
Jackson COUNTY)

We, Phyllis Moffatt, David Stainbrook, Linda Hall, and Jonathan Wineinger, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the County Auditor, Jennings County, Indiana, for the period from January 1, 2014 to December 31, 2014, is true and correct to the best of our knowledge and belief.

Phyllis Moffatt

Jonathan Wineinger

David Stainbrook

Linda Hall
Field Examiners

Subscribed and sworn to before me this 22nd day of February, 2017.

Amanda L. Lowery
Clerk of the Circuit Court