

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WARREN COUNTY, INDIANA

January 1, 2014 to December 31, 2016



**FILED**  
10/10/2017



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Michelle Hetrick	01-01-11 to 12-31-14
	Robin Weston-Hubner	01-01-15 to 12-31-18
County Treasurer	Robin Weston-Hubner	01-01-13 to 12-31-14
	Lori Heidenreich	01-01-15 to 12-31-20
Clerk of the Circuit Court	Debra L. Hiatt	01-01-11 to 12-31-18
County Sheriff	Russell Hart	01-01-11 to 12-31-14
	William Miller	01-01-15 to 12-31-18
County Recorder	Melissa Drake	01-01-11 to 12-31-14
	Monie Cronk	01-01-15 to 12-31-18
President of the Board of County Commissioners	Thomas A. Hetrick	01-01-14 to 12-31-15
	Anton C. Briles	01-01-16 to 12-31-16
	Steve C. Eberly	01-01-17 to 12-31-17
President of the County Council	John O. Comer	01-01-14 to 12-31-17



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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TO: THE OFFICIALS OF WARREN COUNTY, INDIANA

This report is supplemental to our examination report of Warren County (County), for the period from January 1, 2014 to December 31, 2016. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statements Examination Report of the County, which provides our opinion on the County's financial statements. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

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 Examination 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 Official Response to the Examination Results and Comments, incorporated within this report, was not verified for accuracy.

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

August 24, 2017

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COUNTY AUDITOR  
WARREN COUNTY

COUNTY AUDITOR  
WARREN COUNTY  
EXAMINATION RESULTS AND COMMENTS

**ANNUAL FINANCIAL REPORT**

The Annual Financial Report (AFR) presented for examination contained a number of errors and did not properly reflect the financial activity of Warren County. The County Auditor is required to report all financial information in the AFR. This information is used to compile the financial statement. The County has not included the Self Insurance fund on their ledger and the fund was omitted from the AFR. Examination adjustments were proposed, accepted by the County, and made to the financial statements presented for the County. The adjustments resulted in a presentation of the financial statements that are materially correct.

The same comment also appeared in prior Reports B45022 and B45038.

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."

**OVERDRAWN CASH BALANCES**

The financial statements presented in the Financial Statement Examination Report for the County included the following funds with overdrawn cash balances.

Fund	Amount Overdrawn		
	12-31-14	12-31-15	12-31-16
Payroll Clearing	\$ 44,460	\$ -	\$ -
County User Fee Probation	1,419	1,419	1,419
Bi Co Accountability Court Grant	7,705	43,645	48,424
EMA Performance Grant	-	-	11

The same comment also appeared in prior Reports B45022 and B45038.

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 unit. In an instance in which a unit receives a reimbursement grant, the unit must be claiming reimbursement in a timely manner. In this case, it would be possible for a fund to be overdrawn for a short period of time. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR  
WARREN COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**ADVANCE PAYROLL**

The County department heads certified payroll prior to employees working. The pay period ends the same day as the paid date. For example, the department heads certified and submitted the Payroll Schedule and Voucher on Monday, March 23, 2015, for the pay period ended March 27, 2015.

Internal controls over the processing of payroll are insufficient. The payroll is certified prior to the actual time worked. If an employee does not work the actual time certified after the certification is completed, the payroll could be incorrect.

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR  
WARREN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 24, 2017, with Michelle Hetrick, Deputy Clerk of the Circuit Court (former County Auditor); Steve C. Eberly, President of the Board of County Commissioners; John O. Comer, President of the County Council; and Robin Weston-Hubner, County Auditor.

CLERK OF THE CIRCUIT COURT  
WARREN COUNTY

CLERK OF THE CIRCUIT COURT  
WARREN COUNTY  
EXAMINATION RESULT AND COMMENT

***ANNUAL REPORT AND CONDITION OF RECORDS***

The Clerk of the Circuit Court (Clerk) prepared a supplemental Annual Report for inclusion in the County's Annual Financial Report. The activity for the Clerk's Child Support fund was incomplete and not reflective of the activity of the fund. The bank statement transactions were used instead of the actual receipts and disbursements for the fund.

The Clerk only included the Bond transactions for Clerk's Trust and omitted the following funds: Judgment Collections, Adoption History Fund, Bank Account Discrepancy and Putative Father Fund. All of these funds comprise the Clerk's Trust on the Clerk's ledger.

The Daily Cash Balance Report printed from the Clerk's software could not be used for receipts and disbursements for the Bond portion of the Clerk's Trust fund. There were numerous transactions recorded as "negative" receipts instead of disbursements. A Transaction Register report was used instead.

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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 1)

CLERK OF THE CIRCUIT COURT  
WARREN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 24, 2017, with Debra L. Hiatt, Clerk of the Circuit Court; Michelle Hetrick, Deputy Clerk of the Circuit Court (former County Auditor); John O. Comer, President of the County Council; Steve C. Eberly, President of the Board of County Commissioners; and Robin Weston-Hubner, County Auditor.