

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

CLARK COUNTY SOLID WASTE
MANAGEMENT DISTRICT
CLARK COUNTY, INDIANA

January 1, 2010 to December 31, 2016



FILED
11/17/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Examination Results and Comments:	
Transaction Recording	4
Internal Controls	4
Receipt Issuance and Controls.....	4-5
Credit Cards.....	5-6
Penalties, Interest, and Other Charges	6
Official Response	7
Exit Conference.....	8

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	M. Luke Etheridge	01-01-10 to 12-31-17
Controller	Jeffrey L. Cox, CPA	01-01-10 to 12-31-17
President of the Board	Ron Grooms Les Young Kevin Vissing Jack Coffman	01-01-10 to 11-16-10 11-17-10 to 12-31-12 01-01-13 to 12-31-16 01-01-17 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE CLARK COUNTY SOLID WASTE
MANAGEMENT DISTRICT, CLARK COUNTY, INDIANA

This report is supplemental to our examination report of the Clark County Solid Waste Management District (District), for the period from January 1, 2010 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 District. It should be read in conjunction with our Financial Statements Examination Report of the District, which provides our opinion on the District's financial statements. This report may be found at 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

September 28, 2017

CLARK COUNTY SOLID WASTE MANAGEMENT DISTRICT
EXAMINATION RESULTS AND COMMENTS

TRANSACTION RECORDING

During 2016, the District entered into a loan for the purchase of capital assets. The Bank purchased \$229,793 of capital assets for the District with the loan proceeds. The loan proceeds and the purchase of the capital assets were not recorded in the District Ledger; however, the transaction was included in the amounts reported in the District's 2016 Annual Financial Report.

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

INTERNAL CONTROLS

Internal controls over the financial close and reporting were insufficient because the District did not have sufficient segregation of duties. The Financial Clerk performed all duties regarding financial close and reporting and there was no indication of a review process to verify the information was accurate.

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. . . ."

RECEIPT ISSUANCE AND CONTROLS

We conducted a test designed to verify that receipts issued were properly recorded to the District's records at the time the transactions occurred. Our test of this procedure found that while cash collections were posted to the records, receipts had not always been issued. Receipts did not always indicate the type of collection made (i.e., cash, check, money order, credit card). Receipts did not always agree with the amount and classification on the cash receipts journal. Receipts were not recorded on prescribed forms and receipt numbers were not sequential.

The point of service receipts were signed by either the Office Clerk or Warehouse Manager. The Office Clerk prepared the cash receipts journal and report of collections. There was no monitoring of the collection and receipting process to ensure that all collections were deposited and recorded. There was no control over the unused receipt books to ensure unauthorized use. There was a lack of segregation of duties and compensating controls to mitigate risks.

CLARK COUNTY SOLID WASTE MANAGEMENT DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

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. . . ."

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

CREDIT CARDS

The District used credit cards to purchase items without an approved credit card policy during the examination period.

The District used a credit card for various purchases each month. From a sample of nine credit card payments, there were two in which supporting documents were not presented for examination.

The SBOA will not take exception to the use of credit cards by a unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance/resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the governing body.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.

CLARK COUNTY SOLID WASTE MANAGEMENT DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

6. Credit cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee may be the personal obligation of that officer or employee.
8. If authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

PENALTIES, INTEREST, AND OTHER CHARGES

During the examination period, the District paid penalties, interest, and other charges, as listed below, for failure to remit credit card payments timely:

<u>Years</u>	<u>Penalties Paid</u>	<u>Interest Paid</u>	<u>Other Charges Paid</u>	<u>Total</u>
2010	\$ -	\$ 128.69	\$ -	\$ 128.69
2011	-	57.06	-	57.06
2012	-	6.82	-	6.82
2015	35.00	34.96	-	69.96
2016	-	36.51	15.00	51.51
Totals	<u>\$ 35.00</u>	<u>\$ 264.04</u>	<u>\$ 15.00</u>	<u>\$ 314.04</u>

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 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 unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

CLARK COUNTY RECYCLING DISTRICT

112 Industrial Way • Charlestown, IN 47111
Phone (812) 256-7942 • Fax (812) 256-4079
ccswd1@gmail.com

September 28, 2017

Indiana State Board of Accounts

302 W. Washington St., Room E418

Indianapolis, IN 46204-2765

RE: OFFICIAL RESPONSE

Contact Person for Corrective Action: Jeffrey L. Cox

Title: Controller

Contact Phone Number: 812-256-7942

FINDING – TRANSACTION RECORDING

We concur with the finding. The property was purchased by wire transfer directly from the bank as instructed by the real estate closing agent but all future purchases of capital assets will be reported in the records of the unit as well as the Annual Financial Report.

FINDING - INTERNAL CONTROLS

We concur with the finding. A member of the Board will be designated to verify the financial close and reporting process.

FINDING – RECEIPT ISSUANCE AND CONTROLS

We concur with the finding. The Controller held a meeting with the Executive Director and all District employees to discuss receipt issuance and controls. Prescribed forms are now exclusively used and receipts will be issued in all instances.

FINDING – CREDIT CARDS

We concur with the finding. The District's attorney will draft a resolution to establish criteria for an approved credit card policy.

FINDING – PENALTIES, INTEREST, AND OTHER CHARGES

We concur with the finding. The monthly Board meeting to approve claims was occasionally held after the due date of the credit card payment. The Controller is now authorized to pay credit card claims prior to the Board meeting to avoid penalties if those claims are subsequently submitted for Board approval at the next Board meeting.



CLARK COUNTY SOLID WASTE MANAGEMENT DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on September 28, 2017, with M. Luke Etheridge, Director; Jeffrey L. Cox, CPA, Controller; and Jack Coffman, President of the Board.