

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SWITZERLAND COUNTY, INDIANA

January 1, 2014 to December 31, 2016



**FILED**  
04/26/2018



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## SCHEDULE OF OFFICIALS

| <u>Office</u>                                     | <u>Official</u>                                    | <u>Term</u>  |
|---|--|--|
| County Auditor                                    | Gayle A. Rayles                                    | 01-01-11 to 12-31-18   |
| County Treasurer                                  | Vickie James                                       | 01-01-13 to 12-31-20   |
| Clerk of the Circuit Court                        | Kimberly A. Hambrick<br>Gayle Sullivan             | 01-01-11 to 12-31-14<br>01-01-15 to 12-31-18                         |
| County Sheriff                                    | Roy A. Leap<br>Nathan E. Hughes                    | 01-01-11 to 12-31-14<br>01-01-15 to 12-31-18                         |
| County Recorder                                   | Darla McAlister<br>Nancy Barker                    | 01-01-13 to 12-31-16<br>01-01-17 to 12-31-20                         |
| President of the Board of<br>County Commissioners | Steve Lyons<br>Josh South<br>Mark Lohide           | 01-01-14 to 12-31-16<br>01-01-17 to 12-31-17<br>01-01-18 to 12-31-18 |
| President of the<br>County Council                | Michael L. Jones<br>Glenn Scott<br>Elizabeth Jones | 01-01-14 to 12-31-14<br>01-01-15 to 12-31-17<br>01-01-18 to 12-31-18 |



**STATE OF INDIANA**  
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TO: THE OFFICIALS OF SWITZERLAND COUNTY, INDIANA

This report is supplemental to our examination report of Switzerland 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

March 14, 2018

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COUNTY AUDITOR  
SWITZERLAND COUNTY

COUNTY AUDITOR  
SWITZERLAND COUNTY  
EXAMINATION RESULT AND COMMENT

**PREPARATION OF THE COUNTY'S ANNUAL FINANCIAL REPORT**

A similar comment appeared in prior Report B45164.

Control activities should be selected and developed at various levels to reduce risks of error and/or fraud of the financial statements. The County had not separated incompatible activities related to all areas of the financial statements. The failure to establish these controls could enable material misstatements to occur and be undetected.

The County Auditor prepared the financial statements for the County without any evidence of an oversight, review, or approval process to ensure the financial statements were 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. . . ."

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  
SWITZERLAND COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on March 14, 2018 with Gayle A. Rayles, County Auditor, and Elizabeth Jones, President of the County Council.

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COUNTY COUNCIL  
SWITZERLAND COUNTY

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SWITZERLAND COUNTY  
EXAMINATION RESULT AND COMMENT

**PAYMENTS TO ENTITIES WITHOUT CONTRACTS**

A similar comment appeared in prior Reports B41780, B43266, and B45164.

The County Council has been the governing body primarily responsible for authorizing financial assistance to various governmental and nongovernmental entities. During the examination period, the County provided financial assistance to governmental and nongovernmental entities from its Riverboat Revenue Sharing fund and its Riverboat fund. However, the County did not enter into contracts, grant agreements, or memorandums of understanding describing the purpose of the financial assistance or how the financial assistance was to be used.

A contract, grant agreement, or memorandum of understanding is a starting point in establishing internal controls to provide assurance that public funds paid to other entities are being used for intended public purposes. The County made the following payments to governmental and nongovernmental entities from its Riverboat Revenue Sharing fund and its Riverboat fund without a contract, grant agreement, or memorandum of understanding during the examination period.

| Entity  | 2014                     | 2015                     | 2016                     | Totals                     |
|---|--------------------------|--------------------------|--------------------------|----------------------------|
| <b>Riverboat fund:</b>                          |                          |                          |                          |                            |
| East Enterprise Sewer District (2)              | \$ 30,000                | \$ -                     | \$ 44,400                | \$ 74,400                  |
| Fraternal Order of Police Lodge #174 (1)        | 1,250                    | 1,250                    | 1,250                    | 3,750                      |
| Jeff-Craig Fire & Rescue (1)                    | 3,000                    | 3,000                    | -                        | 6,000                      |
| Salvation Army Indiana Division (1)             | 5,000                    | 5,000                    | 5,000                    | 15,000                     |
| <b>Riverboat Revenue Sharing fund:</b>          |                          |                          |                          |                            |
| Switzerland County Fire Chief's Association (1) | <u>499,268</u>           | <u>485,473</u>           | <u>298,404</u>           | <u>1,283,145</u>           |
| <b>Totals</b>                                   | <b><u>\$ 538,518</u></b> | <b><u>\$ 494,723</u></b> | <b><u>\$ 349,054</u></b> | <b><u>\$ 1,382,295</u></b> |

Notes to Schedule:

(1) Nongovernmental Entity

(2) Governmental Entity

COUNTY COUNCIL  
SWITZERLAND COUNTY  
EXAMINATION RESULT AND COMMENT  
(Continued)

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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. . . ."

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Public funds cannot be donated or given to other organizations or individuals unless specifically authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)



# Switzerland County Auditor

*Gayle A. Rayles*

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March 20, 2018

State Board of Accounts  
302 W Washington St., Room E 418  
Indianapolis, IN 46204-2765

**Re: OFFICIAL RESPONSE (2014, 2015 and 2016 Examination)**

To Whom It May Concern:

I would like to respond to the section of the Examination Results and Comments that refers to "Payments to Entities Without Contracts". An attempt is made to get a Memorandum of Understanding (MOU) for annual contributions to entities the County supports for services for County residents (Examples: LifeTime Resources and Children's Advocacy Center). East Enterprise Sewer District disbursements were to cover a need for assistance for special/emergency circumstances. Due to the fact that there is documentation of the appeal, Council's discussion and approval for the funds in County Council meeting minutes, I did not realize that an MOU was also necessary. MOU's will be required for future disbursement of this nature.

The County's contributions for the benefit of the Switzerland County Salvation Army in 2014, 2015 and 2016 were also listed. We have MOU's signed by the person who was the local person in charge. In recent years Salvation Army Headquarters had us mail the checks directly to them and change the name on the checks. The name on the MOU's was not changed since the intent was for the money to go to Switzerland County. Attempts will be made to insure that all future MOU's are worded the same as the checks to the entities.

Sincerely,

A handwritten signature in blue ink that reads "Gayle A. Rayles". The signature is fluid and cursive.

Gayle A. Rayles  
Auditor, Switzerland County

COUNTY COUNCIL  
SWITZERLAND COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on March 14, 2018 with Elizabeth Jones, President of the County Council, and Gayle A. Rayles, County Auditor.