

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

HOWARD COUNTY RECYCLING DISTRICT

HOWARD COUNTY, INDIANA

January 1, 2013 to December 31, 2017



FILED
07/24/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Mikki Jeffers	01-01-13 to 12-31-18
Controller	Ronald Metz	01-01-13 to 12-31-18
President of the District Board	Joyce Higginbottom Tyler Moore	01-01-13 to 12-31-13 01-01-14 to 12-31-18



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TO: THE OFFICIALS OF THE HOWARD COUNTY RECYCLING
DISTRICT, HOWARD COUNTY, INDIANA

This report is supplemental to our audit report of the Howard County Recycling District (District), for the period from January 1, 2013 to December 31, 2017. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the District. It should be read in conjunction with our Financial Statements Audit 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 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 Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

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

June 7, 2018

HOWARD COUNTY RECYCLING DISTRICT
AUDIT RESULTS AND COMMENTS

PRESCRIBED FORMS

The same comment also appeared in prior Reports B30711, B35424, B39414, and B41935.

The District utilized a generic, store purchased computerized accounting system to generate all vendor payments, reports, and other financial data. The forms generated by this computerized system were not approved for use in lieu of prescribed forms.

The Ledger of Receipts, Disbursements, and Balances, Form No. 358, and Ledger of Appropriations, Encumbrances, Disbursements and Balances, Form No. 359, were the forms prescribed to be used by the Solid Waste District.

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)

APPROVAL OF CLAIMS

A test of claims identified that there was a lack of approval by the Board of Directors of the District for claims paid. Of the 136 claims tested, 15 did not have the District Board's approval.

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. . . ."

DEPOSITS

Of the receipts tested, 60 percent were not deposited within seven business days after the date of the transaction.

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

HOWARD COUNTY RECYCLING DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

Effective July 1, 2015, Indiana Code 5-13-6-1(g) states in part:

"The following are not required to deposit funds on the business day following receipt if the funds on hand do not exceed five hundred dollars (\$500): . . .

- (2) A local officer of a political subdivision required to deposit funds under subsection (c) other than a township trustee. . . ."

TIMELY RECORDING

The Executive Director did not post all receipt transactions to the records of the District in a timely manner. Receipts were not posted to the records for up to 30 days after the transaction occurred.

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)

RECEIPT ISSUANCE

Receipts were not issued for all monies collected; therefore, we were unable to verify that payments were received and recorded for all transactions where a receipt should have been generated.

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

CREDIT CARDS

The District Board had an approved credit card policy (Resolution 2009-04); however the policy was not in compliance with the compliance guidelines established by the Indiana State Board of Accounts (SBOA). The following deviations were noted:

1. After approved usage by an employee, the policy did not require the responsible official to retain custody of the credit cards.
2. A log was not maintained.
3. Some payments were made from the credit card statement without appropriate supporting documentation. A total of eight claims were identified that were missing \$1,364 of supporting documentation, such as original receipts.
4. One claim was not presented for audit in the amount of \$354, but this check was approved by the District Board.
5. The credit card claims were not always included on the check register presented to the District Board each meeting. Therefore, they were not approved by the Board of Directors.

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

HOWARD COUNTY RECYCLING DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

- (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.
- (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)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination 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 Special Districts, Chapter 1)

SUPPORTING DOCUMENTATION

Supporting documentation was not presented for audit to determine the validity and accountability of monies received. Receipts were not written for all transactions that occurred, nor were daily logs maintained to document items collected. Therefore, we were unable to verify that all monies were received for the recycling items collected.

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 Special Districts, Chapter 1)

HOWARD COUNTY RECYCLING DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

TRANSACTIONS WITHOUT AN INTERLOCAL AGREEMENT

The District entered into a verbal agreement with the City of Kokomo (City) in 2015, in which the District would pay the City \$200,000 to help fund the City's new curbside recycling program. This payment was contingent upon the 100 percent implementation of the City's recycling program. The District also agreed to pay the City an additional \$200,000 (to be paid in \$50,000 installments the next four years) if certain requirements were met. An interlocal agreement authorizing these transactions was not entered into in accordance with state statute.

Indiana Code 36-1-7-2 states:

"(a) A power that may be exercised by an Indiana political subdivision and by one (1) or more other governmental entities may be exercised:

- (1) by one (1) or more entities on behalf of others; or
- (2) jointly by the entities.

Entities that want to do this must, by ordinance or resolution, enter into a written agreement under section 3 or 9 of this chapter.

(b) Notwithstanding subsection (a), Indiana governmental entities that want only to buy, sell, or exchange services, supplies, or equipment between or among themselves may enter into contracts to do this and follow section 12 of this chapter."

HOWARD COUNTY RECYCLING DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on June 7, 2018, with Ron Metz, Controller; Tyler Moore, President of the District Board; Stan Ortman, District Board member; Brad Bray, District Board member; Paul Wyman, District Board member; and Greg Goodnight, District Board member.