

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

DAVISS COUNTY, INDIANA

January 1, 2016 to December 31, 2016



FILED
08/16/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk of the Circuit Court:	
Federal Finding:	
Finding 2016-002	
Financial Transactions and Reporting	6-7
Corrective Action Plan	8
Exit Conference	9
County Auditor:	
Federal Finding:	
Finding 2016-001	
Financial Transactions and Reporting	12-14
Corrective Action Plan	15
Exit Conference	16
Board of County Commissioners:	
Federal Finding:	
Finding 2016-001	
Financial Transactions and Reporting	18-20
Corrective Action Plan	21
Exit Conference	22

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Patricia K. Ball	01-01-15 to 12-31-18
County Treasurer	Elaine Wellman	01-01-15 to 12-31-18
Clerk of the Circuit Court	Janice Williams	01-01-15 to 12-31-18
County Sheriff	Jerry Harbstreit	01-01-15 to 12-31-18
County Recorder	Jamie Chapman	01-01-13 to 12-31-20
President of the Board of County Commissioners	Michael Taylor Nathan Gabhart	01-01-16 to 12-31-16 01-01-17 to 12-31-18
President of the County Council	Mike Myers Mike Sprinkle Mike Myers	01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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TO: THE OFFICIALS OF DAVIESS COUNTY, INDIANA

This report is supplemental to our audit report of Daviess County (County), for the period from January 1, 2016 to December 31, 2016. It has been provided as a separate report so that the reader may easily identify any Federal Findings 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.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

August 2, 2018

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CLERK OF THE CIRCUIT COURT
DAVISS COUNTY

CLERK OF THE CIRCUIT COURT
DAVIESS COUNTY
FEDERAL FINDING

FINDING 2016-002

Subject: Financial Transactions and Reporting

Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-002.

Condition

There was a lack of segregation of duties within the internal control system of the Clerk of the Circuit Court (Clerk) related to financial transactions and reporting. The Clerk had not separated incompatible activities related to cash and investments and disbursements.

Cash and Investments

Individuals with responsibilities for receipting and disbursing funds also performed the monthly bank reconciliations. There was no indication of a review, oversight, or approval process.

Disbursements

Individuals with responsibility for disbursing funds had complete control over the disbursements function. The same individuals responsible for preparation of checks also used the Clerk's signature stamp to sign those checks authorizing payment. There was no indication of a review, oversight, or approval process.

Context

The lack of internal controls was a systemic issue, which occurred throughout the audit period.

CLERK OF THE CIRCUIT COURT
DAVISS COUNTY
FEDERAL FINDING
(Continued)

Criteria

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 publication, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. This includes control activities. According to this publication:

"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 even. 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. . . ."

Cause

Management of the County had not established a proper system of internal control over the Clerk's cash and investments and disbursements.

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Clerk of the Circuit Court

49th Judicial Circuit



Janice M. Williams

Courthouse – 200 E. Walnut Street

P.O. Box 739

Washington, IN 47501

CORRECTIVE ACTION PLAN

FINDING 2016-002

Contact Person Responsible for Corrective Action: Janice M. Williams

Contact Phone Number: 812-254-8690

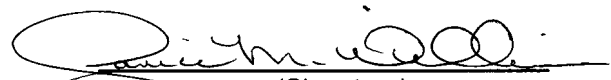
Views of Responsible Official: We concur with the finding.

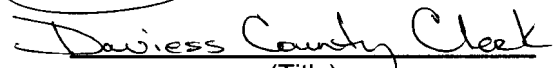
Description of Corrective Action Plan: In regard to the Internal Controls Over Financial Transactions, I immediately took steps to implement more effective internal controls within our office. I have a Superior Court deputy clerk check out and balance the drawer of the Circuit Court side of the office each day and a Circuit Court deputy clerk checks out and balances the drawer of the Superior Court side each day. I have a deputy clerk who has not receipted in the ISETS system check out and balance that drawer each day and one of the deputy clerks puts the bank deposit together. I hand carry the bank deposit to the bank each day or one of the deputy clerks who has not been involved in any part of the checking out process for the day will take the deposit to the bank. We are also documenting on the deposit ticket when it comes back from the bank who took the deposit on that day.

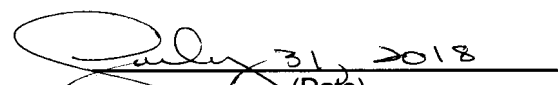
Each day that checks are printed in the office, either myself or one of the deputy clerks will check the report against the checks to make sure it is correct before the checks are issued. We date and initial the report showing that it has been reviewed and is in agreement.

In balancing for each month on our trust and ISETS system, I am reviewing the statements and documenting in red the date and my initials showing that I am in agreement with the balancing for that month. I review and sign the report that is prepared for the Auditor each month and I also review and sign the report that is prepared for the State Auditor every six months. I also authorize the check being issued to the State Auditor as it is now done through an electronic funds transfer.

Anticipated Completion Date: All of the above has been implemented as of February 10, 2017.


(Signature)


(Title)


(Date)

CLERK OF THE CIRCUIT COURT
DAVISS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 2, 2018, with Patricia K. Ball, County Auditor; Nathan Gabhart, President of the Board of County Commissioners; Michael Taylor, County Commissioner; Tom McCracken, County Commissioner; Mike Myers, President of the County Council; and Mike Sprinkle, County Council member.

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COUNTY AUDITOR
DAVISS COUNTY

COUNTY AUDITOR
DAVISS COUNTY
FEDERAL FINDING

FINDING 2016-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-003.

Condition

There were deficiencies in the internal control system of the County Auditor and the Board of County Commissioners related to financial transactions and reporting regarding economic development joint park activities and the Daviess County Economic Development Corporation (Development Corporation), West Boggs Park Foundation (Foundation), and the Daviess-Martin County Joint Park (Park) activities. Adequate controls were not in place to ensure that contracts and agreements entered into by the County were adhered to and that disbursements for these activities had adequate documentation to ensure the funding was used for its intended purposes.

Disbursement Documentation - Development Corporation

The Board of County Commissioners and the County Auditor approved and processed a disbursement to the Development Corporation in the amount of \$100,000 on September 16, 2016. The disbursement was made without adequate supporting documentation.

The County provided a contract with the Development Corporation. The claim for payment submitted to the County Auditor and approved by the Board of County Commissioners included an invoice from the Development Corporation, but the invoice was not itemized and only included a time period for the invoice and a total amount due for each position.

Disbursement Documentation - Foundation

The Board of County Commissioners and the County Auditor approved and processed disbursements to the Foundation without adequate documentation to ensure the funds were spent for its intended uses. Thirteen payments, totaling \$135,141, were made without supporting documentation to the Foundation. The Park had an agreement with the Foundation to perform administrative services for the Park. The Foundation paid the Park bills on behalf of the Park and submitted one monthly claim to the County Auditor for reimbursement of expenses paid on behalf of the Park and payment for services provided by the Foundation. Adequate supporting documentation for the amounts owed was not provided for audit by either the Foundation or the Park.

Disbursement Documentation - Park Petty Cash

The Board of County Commissioners and the County Auditor approved and processed disbursements to the West Boggs petty cash fund at the Park without adequate documentation to ensure the funds were spent for its intended uses. Four payments, totaling \$8,070, were made without supporting documentation. Supporting documentation for the amounts owed was not provided for audit by the Park.

COUNTY AUDITOR
DAVISS COUNTY
FEDERAL FINDING
(Continued)

Context

The lack of internal controls and noncompliance were systemic issues, which occurred throughout the audit period.

Criteria

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 publication, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. This includes control activities. According to this publication:

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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, 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 Counties, Chapter 1)

The County's contract with the Daviess County Economic Development Corporation stated:

"The Corporation shall submit invoices to Daviess County for the services performed on a periodic basis, not more often than monthly, utilizing claim forms acceptable to the Indiana State Board of Accounts and Daviess County Auditor, itemizing the number of hours expended by each category of employees set forth in Exhibit A."

Cause

Management of the County had not established a proper system of internal control over contractual expenditures.

Effect

The failure to establish controls enabled noncompliance to occur and remain undetected.

COUNTY AUDITOR
DAVIESS COUNTY
FEDERAL FINDING
(Continued)

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Auditor of Daviess County

Patty Ball

Daviess County Courthouse
(INCLUDE ON OFFICIAL LETTERHEAD)
200 East Walnut - Washington, IN 47501

Office (812) 254-8662 Fax (812) 254-8697 E-Mail auditor@daviess.org

CORRECTIVE ACTION PLAN

FINDING 2016-001 INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Patricia K. Ball
Contact Phone Number: 812-254-8662

Views of Responsible Official:
Repeat finding due to the timing of the audits.

Description of Corrective Action Plan:

Corrective measures have been taken by both the Commissioners and the Auditor's office in this matter. The repeat finding is due to the timing of the multiple year audits and the overlapping time period that the corrective measures taken are not accounted for by this audit time period. Once identified, issues were addressed and corrected.

Anticipated Completion Date: January 2018 Reporting Period

Patricia K. Ball

(Signature)

Auditor

(Title)

7/23/2018

(Date)

COUNTY AUDITOR
DAVISS COUNTY
EXIT CONFERENCE

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BOARD OF COUNTY COMMISSIONERS
DAVISS COUNTY

BOARD OF COUNTY COMMISSIONERS
DAVISS COUNTY
FEDERAL FINDING

FINDING 2016-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-003.

Condition

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BOARD OF COUNTY COMMISSIONERS
DAVISS COUNTY
FEDERAL FINDING
(Continued)

Context

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Cause

Management of the County had not established a proper system of internal control over contractual expenditures.

Effect

The failure to establish controls enabled noncompliance to occur and remain undetected.

BOARD OF COUNTY COMMISSIONERS
DAVISS COUNTY
FEDERAL FINDING
(Continued)

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**BOARD OF
DAVISS COUNTY COMMISSIONERS**

200 E. WALNUT STREET
WASHINGTON, IN 47501

PHONE: 812-254-8662 FAX: 812-254-8697

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Nathan Gabhart
Contact Phone Number: 812-259-1703

Views of Responsible Official: Findings were due to a timing issue of the audits conducted. Corrective action plan from 2017 has been implemented

Description of Corrective Action Plan:

Contracts have been terminated with DCEDF/C

All invoices must have all pertinent information included for approval

No transgressions have occurred since the previous onsite audit

Anticipated Completion Date: In place currently

Nathan Gabhart
(Signature)

Commissioner, President
(Title)

7-24-2018
(Date)

BOARD OF COUNTY COMMISSIONERS
DAVISS COUNTY
EXIT CONFERENCE

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