

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CLARK COUNTY, INDIANA

January 1, 2016 to December 31, 2016



FILED
02/20/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	R. Monty Snelling	01-01-15 to 12-31-18
County Treasurer	David J. Reinhardt	01-01-15 to 12-31-18
Clerk of the Circuit Court	Susan Popp	01-01-15 to 12-31-18
County Sheriff	Jamey Noel	01-01-15 to 12-31-18
County Recorder	Zach Payne	01-01-15 to 12-31-18
President of the Board of County Commissioners	Jack Coffman	01-01-16 to 12-31-18
President of the County Council	Barbara Hollis	01-01-16 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of Clark 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 and Audit Results and Comments 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 and should be viewed in conjunction with the Audit Results and Comments as described below.

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 Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

December 27, 2018

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COUNTY AUDITOR
CLARK COUNTY

COUNTY AUDITOR
CLARK COUNTY
FEDERAL FINDING

FINDING 2016-001

Subject: Internal Controls over Financial Transactions and Reporting - Payroll Withholdings
Audit Finding: Significant Deficiency

Condition

The County did not have controls in place to reconcile the balances of its various payroll withholding accounts with supporting records. As a result of not performing reconciliation procedures, there were withholding accounts that incorrectly reported deficit balances at year end or had balances reported at year end that were in excess of actual amounts owed. The failure to properly record and reconcile the withholding funds also resulted in a number of errors in recording transactions that went uncorrected and resulted in bank reconciliation variances.

Context

The lack of controls was a systemic issue throughout the audit period. The failure to properly reconcile the withholding accounts resulted in errors that were not identified until bank reconciliations were performed. Once the errors were identified during the bank reconciliation process, the errors were not corrected in a timely manner.

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 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. . . ."

Cause

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

Effect

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

Recommendation

We recommended that the County establish a system of internal controls related to financial transactions and reporting of payroll and its related withholdings funds.

Views of Responsible Officials

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



R. MONTY SNELLING

CLARK COUNTY AUDITOR

501 E. Court Avenue, Room 118
Jeffersonville, IN 47130-4090
(812) 285-6211
Fax (812) 285-6216

FINDING 2016-001

Contact Person Responsible for Corrective Action: R. Monty Snelling
Contact Phone Number: (812)-285-6211

Views of Responsible Official: We are in agreement with the findings

Description of Corrective Action Plan: The Payroll Deputy responsible no longer works for the county. An experienced Payroll Deputy has been put in place. A full time assistant is no in place. Oversight procedures, along with more checks and balances, have been put in place. Reviews and verification system has been instituted. The county H/R department is working closely with the payroll department for oversight and verification.

Segregation of duties have been put in place and reviewed. The county's software vendor is working closely, with payroll, to rectify past problems and to assist in way to prevent in the future

Anticipated Completion Date: 6/30/19



(Signature)

Auditor

(Title)

12-19-18

(Date)

COUNTY AUDITOR
CLARK COUNTY
AUDIT RESULT AND COMMENT

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The County certified in the Indiana Gateway for Government Units financial reporting system that all personnel defined by Indiana Code 5-11-1-27(c) had received training concerning internal control standards adopted by the County; however, during the course of the engagement it was determined that all personnel had not received the required training.

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 report 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](#)."

Indiana Code 5-11-1-27(h) states:

"After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that:

- (1) the minimum internal control standards and procedures defined under subsection (e) have been adopted by the political subdivision; and
- (2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2).

The certification shall be filed with the state board of accounts at the same time as the annual financial report required by section 4(a) of this chapter is filed. The certification shall be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

COUNTY AUDITOR
CLARK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 27, 2018, with R. Monty Snelling, County Auditor; Keisha D. Reschar, Deputy County Auditor; Jack Coffman, President of the Board of County Commissioners; Connie Sellers, County Commissioner; R. Scott Lewis, County Prosecuting Attorney; Barbara Hollis, President of the County Council; Danny Yost, County Council member; and Kevin Vissing, County Council member.

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CLERK OF THE CIRCUIT COURT
CLARK COUNTY

CLERK OF THE CIRCUIT COURT
CLARK COUNTY
FEDERAL FINDING

FINDING 2016-002

Subject: Internal Controls over Financial Transactions and Reporting - Clerk of the Circuit Court
Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Finding 2015-003 from the immediately prior audit.

Condition

There were several deficiencies in the internal control system of the County related to financial transactions and reporting of the Clerk of the Circuit Court (Clerk). There was a lack of segregation of duties, as the Clerk has not separated incompatible activities related to cash and investments, receipts, and disbursements.

1. The employee responsible for reconciling daily collections with receipts was also responsible for preparing the bank deposit, taking the deposit to the bank, posting the receipts, recording adjustment transactions, and issuing and posting checks.
2. The person performing the monthly bank reconciliements was also responsible for issuing checks, making adjustment transactions, and posting activity. This same individual served as the backup person for reconciling daily receipts, preparing deposit tickets, making the bank deposits, and posting receipts.
3. Although the Clerk indicated that daily collections were compared to the bank deposits by someone other than the person responsible for reconciling collections, making the deposit, and posting the transactions, documentation was not available to verify this process.
4. Disbursement transactions were issued without any oversight or review.

Context

The lack of internal controls was a systemic issue 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 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:

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

"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. . . ."

Cause

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

Effect

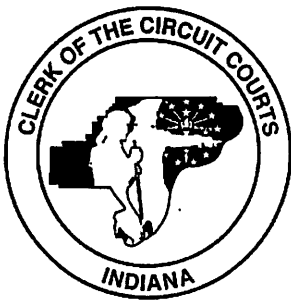
The failure to establish controls could have enabled misstatements or irregularities to remain undetected.

Recommendation

We recommended that the Clerk establish a system of internal controls related to financial transactions and reporting.

Views of Responsible Officials

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



SUSAN POPP

Clerk of the Clark County Circuit Courts

Clark County Government Building
501 E. Court Avenue, Room 137
Jeffersonville, IN 47130

812.285.6244 TEL
812.285.6372 FAX
www.co.clark.in.us

CORRECTIVE ACTION PLAN

FINDING 2016-002

Contact Person Responsible for Corrective Action: Susan Popp, Clark County Clerk
Contact Phone Number: 812-285-6375
Contact email address: spopp@co.clark.in.us

Views of Responsible Official:

We concur with the finding of the Indiana State Board of Accounts (SBOA) concerning the need for increased internal controls. We have taken measures since the last audit to expand internal controls through diversification of duties, cross-training, and digitizing documents. However, we can improve documentation and methods for greater internal controls.

Description of Corrective Action Plan:

SBOA findings:

1. The employee responsible for reconciling daily collections with receipts was also responsible for preparing the bank deposit, taking the deposit to the bank, posting the receipts, recording adjustment transactions, issuing checks and posting checks. Please note this person does not post checks as stated. She only enters checks when absolutely necessary.

Corrective Action:

- The County Clerk or a person designated by the County Clerk will compare the receipts for the day with the "daily cash balance report", deposit slip and bank deposit ticket. That person will sign off on the daily cash balance report to indicate they compared the report with the deposits. Any significant notations will be added to the daily cash balance report.
- We will generate a report from Odyssey that will show void or adjustment transactions. A person other than the one voiding or adjusting will sign off on the report to show the information has been reviewed and the reason for the transaction.
- Someone other than the person responsible for the issuance of checks and handling of receipts, will periodically and randomly select checks issued and verify the check(s) was issued to the correct party per the court order and the amount paid was proper amount based upon the monies received. The "check registry report" will be used and it will be

signed by the reviewer indicating or documenting transactions reviewed. These reports will be retained and provided for future audits.

SBOA findings:

#2. The person performing the monthly bank reconcilements was also responsible for issuing checks, making adjustment transactions, and posting activity. This same individual served as the backup person for reconciling daily receipts, preparing deposit tickets, making the bank deposits, and posting receipts.

Corrective Action:

- The corrective action outlined in the bullet points above will assist in oversight and internal control for finding #2.
- The monthly reconciliation will have the signature of the deputy clerk who completed the reconciliation along with the County Clerk signature indicating the reconciliation was reviewed. Any discrepancies will be noted on page 1.
- For EFT payments to the state the certification of the court cost remittance to the state should be compared with the amount shown on the bank statement for the EFT withdrawal. The signature on the certification along with the signature on the check register could be used to show evidence of review of the activity.

SBOA findings:

#3. Although the Clerk indicated daily collections were compared to the bank deposits by someone other than the person responsible for reconciling collections, making the deposit, and posting the transactions documentation was not available verify this process

Corrective Action:

- The person checking/comparing the bank deposits with daily collections will initial the deposit slip. The deposit slip will have two sets of initials; the person preparing the deposit slip and the person reviewing.

SBOA findings:

#4. Disbursements transactions were issued without any oversight or review.

Corrective Action:

- The Odyssey system creates a system of checks and balances. The disbursement transaction is noted in the system and it corresponds to the deposit and receipts.
- The person checking/comparing the bank deposits with daily collections will initial the deposit slip. The deposit slip will have two sets of initials; the person preparing the deposit slip and the person reviewing.
- The Daily Check Register report will be reviewed randomly and periodically by someone other than the person issuing the checks. Total checks related to judgments

/restitutions can be compared to the amount of the receipts to verify check amounts issued correspond with disbursements made. The report can be signed and receipts vs disbursements can be marked as reviewed. The report will be maintained for future audits.

- For bond checks issued, we will randomly review the court orders as compared to the checks issued. Again, the checks register report could then be signed indicating the information was reviewed.

Additional information in regard to findings:

Currently, every deputy clerk collecting funds prints their daily till and compares that amount with monies collected. This report is initialed by each deputy clerk. The person responsible for daily reconciliation (finding #1) checks the clerk deputies till for accuracy.

Furthermore, we have three additional clerk deputies that can post checks received into Odyssey. We also have three people cross-trained to do month end reconciliation.

On December 5, 2018, the Daily Cash Registry, Till Transaction Journal, and Check Registry are compared to ensure they balance. These reports are stapled together and filed.

Anticipated Completion Date:

We will have corrective measures in place by February 1, 2019.

Susan Pope
Signature

Clark County Clerk
(Title)

December 21, 2018
(Date)

CLERK OF THE CIRCUIT COURT
CLARK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 26, 2018, with Susan Popp, Clerk of the Circuit Court.

The contents of this report were discussed on December 27, 2018, with Jack Coffman, President of the Board of County Commissioners; Connie Sellers, County Commissioner; R. Scott Lewis, County Prosecuting Attorney; Barbara Hollis, President of the County Council; Danny Yost, County Council member; and Kevin Vissing, County Council member.

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BOARD OF COUNTY COMMISSIONERS
CLARK COUNTY

BOARD OF COUNTY COMMISSIONERS
CLARK COUNTY
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

The County failed to ensure that all required personnel received the training over the internal control standards adopted as required by Indiana Code 5-11-1-27(g).

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."



BOARD OF COMMISSIONERS

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Jack Coffman
Bryan Glover
Connie Sellers

R. Scott Lewis, County Attorney

February 19, 2019

Via Email

To: Indiana State Board of Accounts

Official Response to 2016 Audit Results and Comments
for the Board of County Commissioners

Please be advised that as County Attorney, I am submitting this Official Response on behalf of the Board of Commissioners. This Official Response is only for those matters that were specifically addressed and identified for the Board of County Commissioners. It is my understanding that the other County Officeholders and/or County Department Heads are responsible for providing their own Responses to matters which were specifically addressed to their particular Office or Department.

Training on Internal Controls Standards:

In calendar year 2016, the Commissioners relied upon its outside financial consultant at that time to provide the required training on Internal Controls Standards. The financial consultant kept written documentation verifying the said training of all employees and officials required to complete the training. The Commissioners believed all required individuals received the training. However, we have learned that some employees who initially did not require the training may have moved to another position within County Government that then required the training. The Commissioners were not aware and not notified of the change in employment positions and therefore the training inadvertently did not occur. To remedy this situation, the Commissioners hired a full-time Human Resource Director beginning in 2018 and the new HR Director has been responsible for the said training. In addition, the new HR Director will begin to provide appropriate training for all employees and officials regardless if they appear to be exempt from the training in case the individual moves to another position that requires the training.

Sincerely,

R. SCOTT LEWIS
County Attorney

Cc: Clark County Commissioners

BOARD OF COUNTY COMMISSIONERS
CLARK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 27, 2018, with Jack Coffman, President of the Board of County Commissioners; Connie Sellers, County Commissioner; R. Scott Lewis, County Prosecuting Attorney; Barbara Hollis, President of the County Council; Danny Yost, County Council member; and Kevin Vissing, County Council member.