

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
FLOYD COUNTY, INDIANA
January 1, 2018 to December 31, 2018



FILED
08/16/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Scott L. Clark	01-01-15 to 12-31-22
President of the Board of County Commissioners	Mark Seabrook Billy Stewart	01-01-18 to 12-31-18 01-01-19 to 12-31-19
President of the County Council	Brad Striegel Denise Konkle	01-01-18 to 12-31-18 01-01-19 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of Floyd County (County), for the period from January 1, 2018 to December 31, 2018. It has been provided as a separate report so that the reader may easily identify any 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/.

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

July 16, 2019

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COUNTY AUDITOR
FLOYD COUNTY

COUNTY AUDITOR
FLOYD COUNTY
AUDIT RESULTS AND COMMENTS

PENALTIES, INTEREST, AND OTHER CHARGES

A similar comment appeared in prior Report B52313.

Penalties and interest totaling \$21,406.71 were assessed upon and paid by the County to the Internal Revenue Service (IRS) during the audit period and early 2019.

The County paid penalties and interest totaling \$21,406.71 for failing to properly file Employer's Quarterly Federal Tax Return (IRS Form 941); and the late remittance of payroll withholding taxes as follows:

Date Paid	Payor	Description	Penalty	Interest	Totals
02-11-19	Internal Revenue Service	2nd Quarter 2018 Federal Tax Penalty for late payment of tax	\$ 47.82	\$ -	\$ 47.82
02-11-19	Internal Revenue Service	2nd Quarter 2018 Federal Tax Interest for late payment of tax	-	58.92	58.92
04-08-19	Internal Revenue Service	4th Quarter 2018 Federal Tax Deposit Penalty for filing tax return after due date	6,235.66	-	6,235.66
04-08-19	Internal Revenue Service	4th Quarter 2018 Federal Tax Deposit Penalty	13,857.02	-	13,857.02
04-08-19	Internal Revenue Service	4th Quarter 2018 Federal Tax Interest for late payment of tax	692.85	-	692.85
04-08-19	Internal Revenue Service	4th Quarter 2018 Federal Tax Deposit Interest for late payment of tax	-	528.88	528.88
04-15-19	Internal Revenue Service	4th Quarter 2018 Reduced Federal Tax Deposit Interest for late payment of tax	-	(14.44)	(14.44)
Total Paid to Internal Revenue Service			<u>\$ 20,833.35</u>	<u>\$ 573.36</u>	<u>\$ 21,406.71</u>

Scott L. Clark (Clark), County Auditor, was responsible for filing remittance reports and for making timely remittances of payroll withholding taxes related to the penalties and interest that were assessed and paid to the IRS.

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 County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR
FLOYD COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Clark was requested to repay the penalties, interest, and other charges paid by the County to the IRS in the amount of \$21,406.71. (See Summary of Charges, page 11)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The County did not comply with directives of the IRS by failing to properly and/or timely remit payroll withholding taxes during 2018 and 2019.

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

OFFICIAL BOND COVERAGE

The County obtained Public Officials' Bonds for Scott L. Clark, County Auditor, as follows:

<u>Surety Company</u>	<u>Term</u>	<u>Amount</u>
Pekin Insurance Company	January 1, 2018 to January 1, 2019	\$ 300,000
Pekin Insurance Company	January 1, 2019 to January 1, 2020	300,000



Scott L. Clark, Auditor of Floyd County

July 18, 2019

IN State Board of Accounts

302 W. Washington St.

Room E418

Indianapolis, IN 46204-2765

OFFICIAL RESPONSE - Supplemental Compliance Report

This letter serves as a response to an SBOA Compliance report concerning IRS payroll tax penalties relating to payroll.

First, as a result of this incident, a new procedure with the Auditor's office and the Treasurer's office was enacted by me in February, 2019 to ensure that all payments are made in accordance with IRS policy. That new policy is attached.

Second, employee turnover has led to less experienced employees who contributed to this incident. It is difficult to retain and find experienced staff when salaries being offered are not competitive with the labor market.

Third, no laws were broken in this incident. No one lied. Nothing was stolen. The incident was an error in performing the duties in the scope of the Auditor's office.

Finally, I have always had the taxpayers of Floyd County in mind when performing the duties of Auditor and making decisions for the County. In my six years in the position, I have saved the taxpayers more than \$350,000 in my dept. alone. This savings cannot be matched by anyone in the County. I have further contributed to savings of over \$200,000 to the County. I was instrumental in obtaining \$4.8 million in new money for the County in 2018.

While this incident is a blot on my tenure, I will not let this incident define my career and overshadow my accomplishments as the Floyd County Auditor.

Sincerely,

A handwritten signature in blue ink, appearing to be "SCL", is written over a blue circular stamp.

Scott L. Clark

Federal Tax Payment Procedures

The Auditor or his designee will make the federal tax payment using EFTPS system.

The Auditor WILL PRINT a receipt of deposit upon making the deposit with EFTPS.

The auditor will scan and email a copy of the receipt to the Treasurer and 1st Deputy Treasurer.

Treasurer can then verify payment using the EFTPS system.

All federal 941 payments must be made by Thursday, before the Friday pay-date.

Other Tax Payment Procedures

The Auditor or his designee shall follow the above procedures for making payments for State withholding taxes and Unemployment taxes. All payments must be made at least 5 days before the payment and reporting deadline.

COUNTY AUDITOR
FLOYD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 16, 2019, with Scott L. Clark, County Auditor; Billy Stewart, President of the Board of County Commissioners; Denise Konkle; President of the County Council; Brad Striegel; County Council member; and Steven P. Langdon, County Council Attorney.

COUNTY AUDITOR
FLOYD COUNTY
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Scott L. Clark, County Auditor:			
Penalties, Interest, and Other Charges, pages 6-7	<u>\$ 21,406.71</u>	<u>\$ -</u>	<u>\$ 21,406.71</u>
Totals	<u><u>\$ 21,406.71</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 21,406.71</u></u>

This report was forwarded to the Office of the Attorney General.

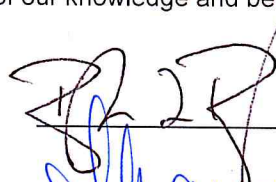
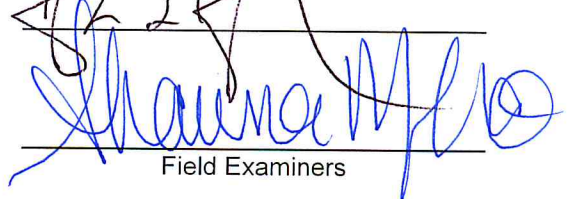
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AFFIDAVIT

STATE OF INDIANA)

Scott)
COUNTY)

We, Brandon L. Brough and Shawna Mero, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of Floyd County, Indiana, for the period from January 1, 2018 to December 31, 2018 is true and correct to the best of our knowledge and belief.



Field Examiners

Subscribed and sworn to before me this 30 day of July, 2019.


Clerk of the Circuit Court