

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

KNOX COUNTY, INDIANA

January 1, 2018 to December 31, 2018



FILED

08/19/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Lisa G. Madden Micheal P. Morris	01-01-15 to 12-31-18 01-01-19 to 12-31-22
County Treasurer	Brenda Hall	01-01-16 to 12-31-19
Clerk of the Circuit Court	Terri Allen David Shelton	01-01-15 to 12-31-18 01-01-19 to 12-31-22
County Sheriff	Micheal P. Morris Doug Vantlin	01-01-15 to 12-31-18 01-01-19 to 12-31-22
County Recorder	Lisa Clark-Benock	01-01-15 to 12-31-22
President of the Board of County Commissioners	Kellie Streeter	01-01-18 to 12-31-19
President of the County Council	Robert Lechner	01-01-18 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of Knox 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 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

July 31, 2019

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COUNTY AUDITOR
KNOX COUNTY

COUNTY AUDITOR
KNOX COUNTY
FEDERAL FINDINGS

FINDING 2018-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2017-001.

Condition

The County did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). An employee in the County Auditor's office entered and submitted federal award information into the Indiana Gateway for Government Units financial reporting system, which was the source for the County's SEFA. There was no evidence of a control, such as an oversight, review, or approval process by the County that would have ensured federal award information entered and submitted was correct.

Context

The SEFA presented for audit contained the following errors:

1. Ten of the eleven federal program titles on the SEFA were incorrectly entered as the local project name, rather than the correct federal program title.
2. One state grant was incorrectly included on the SEFA, resulting in an overstatement of expenditures of \$2,573.
3. Two federal grants were incorrectly reported, resulting in an understatement of expenditures in the amount of \$168,582.
4. Two federal grants were omitted from the SEFA, resulting in an understatement of expenditures in the amount of \$60,519.
5. The amount passed through to subrecipients for one federal program was not included on the SEFA, resulting in an understatement of the amount passed through to subrecipients of \$410,875.

Audit adjustments were proposed, accepted by the County, and made to the SEFA.

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:

COUNTY AUDITOR
KNOX COUNTY
FEDERAL FINDINGS
(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. . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

(b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.

COUNTY AUDITOR
KNOX COUNTY
FEDERAL FINDINGS
(Continued)

- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the County's management establish controls related to the preparation of the SEFA.

Views of Responsible Officials

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

FINDING 2018-002

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

Repeat Finding

This is a repeat finding from the two immediately prior audits. The prior audit finding numbers were 2016-002 and 2017-002.

Condition

There were several deficiencies in the internal control system of the County related to financial transactions and reporting.

The County did not have a proper system of internal control in place to ensure the completeness and accuracy of the transactions recorded in the funds ledger maintained by the County Auditor and to prevent, or detect and correct, errors on the Annual Financial Report (AFR) and the financial statement.

COUNTY AUDITOR
KNOX COUNTY
FEDERAL FINDINGS
(Continued)

The County Auditor entered and submitted the financial information for the County into the Indiana Gateway for Government Units (Gateway) financial reporting system. This information was used to compile the County's AFR and financial statement. There was no evidence of a control, such as an oversight, review, or approval process, to ensure the accuracy of the information entered and submitted into Gateway.

There was no evidence of a control, such as an oversight, review, or approval process to ensure that all funds of the County were being recorded in the funds ledger. The cash and investment transactions of several County funds were not recorded in the funds ledger maintained by the County Auditor.

Context

Due to the lack of controls, the following errors occurred on the financial statement:

1. Five supplemental County funds were reported that should not have been included.
2. Three County funds were not included on the financial statement that should have been.
3. One posting error resulted in an understatement of disbursements.

The net difference of the errors resulted in an understatement of reported receipts and disbursements of \$56,658 and \$184,376, respectively; an understatement of the beginning cash and investment balance of \$1,130,778; and an understatement of the ending balance of \$889,744.

Audit adjustments were proposed, accepted by the County, and made to the County's AFR and financial statement.

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. . . .

COUNTY AUDITOR
KNOX COUNTY
FEDERAL FINDINGS
(Continued)

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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](#)."

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

Cause

Management of the County had not established a proper system of internal control to ensure that all transactions of the County's funds were recorded in the funds ledger and that the information reported in the AFR and the financial statement was accurate.

Effect

The failure to establish controls enabled the County's funds ledger to be incomplete and enabled misstatements of the AFR and financial statement to remain undetected. The errors are identified in the *Context*.

Recommendation

We recommended that the County 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.



KNOX COUNTY AUDITOR

MIKE MORRIS

COURTHOUSE

111 N. SEVENTH STREET, STE. 5

VINCENNES, IN 47591

(812) 885-2502

Finding 2018-001

Contact Person Responsible for Corrective Action: Micheal P. Morris

Contact Phone Number: 812-885-2502

Views of Responsible Official: We concur with the finding.

Subject: Preparation of the Schedule of Expenditures of Federal Awards (SEFA)

The auditor bookkeeper was informed of the reported errors on the SEFA submitted on the Gateway system. The bookkeeper then corrected the errors on the Annual Financial Report (AFR) on the Gateway system and the AFR was then verified by another auditor staff member before being resubmitted.

Description of Corrective Action Plan:

With the audit of the 2018 SEFA, the new auditor administration has developed new protocols to ensure accurate reporting of the SEFA:

The county auditor's office is responsible for all grant activity in the county. The Auditor's office will keep a master list of all grants awarded to county departments. This list will contain information on the type of grant name and amount, the CFDA number, any pass-through agencies, and information about the purpose and use of the grant. This information will be reviewed by the department receiving the grant and the Auditor's office staff. To ensure that information is current and accurate another Auditor's office staff member will review so that reporting is correct.

The website www.beta.sam.gov is available to use for accurate CFDA reporting of Federal Program titles. The auditor office employees will also attend a Department of Justice seminar title 2019 Basic Financial Management Training Seminar in July of 2019. Auditor employees will also attend other seminars as they become available.

The annual reporting of grant information on the Gateway system will be reviewed by the departments, an auditor office employee, and an independent accountant to verify that all the information is correct before submission.

Anticipated Completion Date: Immediately



KNOX COUNTY AUDITOR

MIKE MORRIS

COURTHOUSE

111 N. SEVENTH STREET, STE. 5

VINCENNES, IN 47591

(812) 932-2002

Michael Morris

(Signature)

Auditor

(Title)

07/23/2019

(Date)



KNOX COUNTY AUDITOR

MIKE MORRIS

COURTHOUSE

111 N. SEVENTH STREET, STE. 5

VINCENNES, IN 47591

(812) 885-2502

Finding 2018-002

Contact Person Responsible for Corrective Action: Micheal P. Morris

Contact Phone Number: 812-885-2502

Views of Responsible Official: We concur with the finding.

Subject: Financial Transactions and Reporting

During the 2018 audit of the Annual Financial Report (AFR), it was noted that errors were reported on the AFR. These errors were reviewed with Julie Lancaster, the bookkeeper. The bookkeeper then entered the correct information into the Gateway system and resubmitted the AFR. The bookkeeper and the auditor then verified that the AFR agreed with the county ledger as 12/31/18.

Description of Corrective Action Plan:

With the audit of the 2018 AFR, the new administration became aware of several deficiencies in the reporting on Gateway. As a result, the new administration has taken steps to implement internal controls to verify the accuracy of the information reported to the State of Indiana. Going forward, all reporting will be checked by no less than 2 members of the auditor staff, the elected Auditor, and an accountant who is independently contracted by the County. The protocol will be as such – The county bookkeeper will print out the appropriate fund information. Another employee will review the fund information and discuss any discrepancies or questions with the bookkeeper. Once done, the bookkeeper will review the information with the Auditor. Once reviewed, the information will be entered into the Gateway system and the information on the AFR will be reviewed by the independent accountant.

2019-began reporting monthly uploads of the Monthly Comparison Report on Gateway per SBOA requirements.

We will also use Harris Financial software to upload reports to Gateway when possible to help with the Annual Financial Reporting. We weren't aware of this possibility this year while preparing the AFR. Adding these additional steps will help ensure correct reporting to the AFR.



Anticipated Completion Date: Immediately

KNOX COUNTY AUDITOR

MIKE MORRIS

COURTHOUSE

111 N. SEVENTH STREET, STE. 5

VINCENNES, IN 47591

(812) 885-2502

Michael P. Morris

(Signature)

Auditor

(Title)

07/23/2019

(Date)

COUNTY AUDITOR
KNOX COUNTY
AUDIT RESULTS AND COMMENTS

BOARD MINUTES MISSING

Five of the twelve monthly council meeting minutes were not available for audit.

Indiana Code 36-6-6-8 states:

"The legislative body shall keep a permanent record of its proceedings in a book furnished by the executive. The secretary of the legislative body shall, under the direction of the legislative body, record the minutes of the proceedings of each meeting in full and shall provide copies of the minutes to each member of the legislative body before the next meeting is convened. After the minutes are approved by the legislative body, the secretary of the legislative body shall place the minutes in the permanent record book. The chair of the legislative body shall retain the record in the chair's custody."

Indiana Code 5-14-1.5-4 states in part:

". . . (b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken by individual members if there is a roll call.
- (5) Any additional information required under section 3.5 or 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication.

(c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

COUNTY AUDITOR
KNOX COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSETS

The County has not properly maintained a complete listing of all capital assets owned. Adjustments for additions and deletions have not been made to the capital assets record since 2013, nor was a physical inventory of capital assets performed. Also, the County does not have a policy that details a threshold at which an item is to be considered a capital asset.

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COMPENSATION AND ADVANCE PAYMENTS

During the test of payroll, it was noted that one employee was incorrectly compensated, which resulted in an overpayment in the amount of \$1,131. The repayment of the overpayment will be deducted from the employee's 2019 salary amount.

It was also noted that four employees were paid three days prior to the end of the last pay period of 2018, which resulted in the employees being paid in advance.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Compensation and any other payments for goods and services must not be paid in advance of receipts of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY AUDITOR
KNOX COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 31, 2019, with Micheal P. Morris, County Auditor; Julie Lancaster, Bookkeeper; Karen Donovan, Deputy County Auditor; Harry Nolting, County Council member; Trent A. Hinkle, County Commissioner; Robert Lechner, President of the County Council; and Yvette C. Kirchoff, County Attorney.

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COUNTY HIGHWAY DEPARTMENT
KNOX COUNTY

COUNTY HIGHWAY DEPARTMENT
KNOX COUNTY
FEDERAL FINDING

FINDING 2018-003

Subject: Highway Planning and Construction Cluster - Cash Management
and Matching, Level of Effort, Earmarking

Federal Agency: Department of Transportation

Federal Program: Highway Planning and Construction

CFDA Number: 20.205

Federal Award Numbers and Years (or Other Identifying Numbers): DES 1383643, DES 1400812,
DES 1592991, DES 1600892

Pass-Through Entity: Indiana Department of Transportation

Compliance Requirements: Cash Management; Matching, Level of Effort, Earmarking

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit, pertaining to Cash Management. The prior audit finding number was 2017-003.

Condition

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Cash Management and Matching, Level of Effort, Earmarking.

The County was required to request reimbursement from the Indiana Department of Transportation using the LPA Invoice-Voucher (voucher). The vouchers listed the gross amount of the claims paid by the County and calculated the percentage of federal share that was reimbursable. The Employee in Responsible Charge (ERC) prepared the vouchers and signed them. There were no procedures in place, such as an oversight, review, or approval process to ensure that expenses were paid prior to requesting reimbursement, or that the correct federal percentage rate was used in the calculation.

Context

The lack of controls was a systemic issue throughout the audit period.

COUNTY HIGHWAY DEPARTMENT
KNOX COUNTY
FEDERAL FINDING
(Continued)

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system placed the County at risk of noncompliance with the grant agreement and the compliance requirements listed above.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls related to the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

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



Knox County Highway Department

1472 North State Road 67, Vincennes, IN 47591 Office: 812.882.2884 Fax: 812.882.2496

CORRECTIVE ACTION PLAN

FINDING 2018-003

Contact Person Responsible for Corrective Action: Bill Horner
Contact Phone Number: 812-882-2884

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

LPA Vouchers, along with invoices, will be initialed by a second person as an internal control before submitting the information to Indiana Department of Transportation for reimbursement.

Anticipated Completion Date: Corrective Action has already been put in place.



(Signature)

Administrative Assistant

(Title)

5/22/19

(Date)

COUNTY HIGHWAY DEPARTMENT
KNOX COUNTY
EXIT CONFERENCE

The contents of this report were discussed by phone on May 22, 2019, with Bill Horner, County Highway Department Administrative Assistant.

The contents of this report were discussed on July 31, 2019, with Micheal P. Morris, County Auditor; Karen Donovan, Deputy County Auditor; Julie Lancaster, Bookkeeper; Trent A. Hinkle, County Commissioner; Robert Lechner, President of the County Council; Harry Nolting, County Council member; and Yvette C. Kirchoff, County Attorney.

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COUNTY COUNCIL
KNOX COUNTY

COUNTY COUNCIL
KNOX COUNTY
AUDIT RESULTS AND COMMENTS

SALARY ORDINANCE

The 2018 Salary Ordinance was not submitted timely in order to be adopted by the County Council prior to year-end 2017. The salary ordinance was adopted on July 10, 2018. The compensation to be paid to officials and employees was listed in a budget book that detailed all approved budgeted amounts by fund and line item.

Indiana Code 36-2-5-11(c) states:

"At its annual meeting under IC 36-2-3-7(b)(2), the county fiscal body shall consider the statements and recommendations submitted by the county executive under section 4(b) of this chapter and shall then adopt an ordinance, separate from those adopted under subsection (b), fixing:

- (1) The compensation of all officers, deputies and other employees subject to this chapter; and
- (2) The number of deputies and other employees for each office, department, commission, or agency, except part-time and hourly rated employees, whose employment shall be limited only by the amount of funds appropriated to pay their compensation."

BOARD MINUTES MISSING

Five of the twelve monthly council meeting minutes were not provided for audit.

Indiana Code 36-6-6-8 states:

"The legislative body shall keep a permanent record of its proceedings in a book furnished by the executive. The secretary of the legislative body shall, under the direction of the legislative body, record the minutes of the proceedings of each meeting in full and shall provide copies of the minutes to each member of the legislative body before the next meeting is convened. After the minutes are approved by the legislative body, the secretary of the legislative body shall place the minutes in the permanent record book. The chairman of the legislative body shall retain the record in his custody."

Indiana Code 5-14-1.5-4 states in part:

". . . (b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken by individual members if there is a roll call.
- (5) Any additional information required under section 3.5 or 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication.

(c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

COUNTY COUNCIL
KNOX COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 31, 2019, with Micheal P. Morris, County Auditor; Karen Donovan, Deputy County Auditor; Julie Lancaster, Bookkeeper; Trent A. Hinkle, County Commissioner; Robert Lechner, President of the County Council; Harry Nolting, County Council member; and Yvette C. Kirchoff, County Attorney.

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BOARD OF COUNTY COMMISSIONERS
KNOX COUNTY

BOARD OF COUNTY COMMISSIONERS
KNOX COUNTY
AUDIT RESULTS AND COMMENTS

CAPITAL ASSETS

The County has not properly maintained a complete listing of all capital assets owned. Adjustments for additions and deletions have not been made to the capital assets record since 2013, nor was a physical inventory of capital assets performed. Also, the County does not have a policy that details a threshold at which an item is considered a capital asset.

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COMPENSATION AND ADVANCE PAYMENTS

During the test of payroll, it was noted that one employee was incorrectly compensated, which resulted in an overpayment in the amount of \$1,131. The repayment of the overpayment will be deducted from the employee's 2019 salary amount.

It was also noted that four employees were paid three days prior to the end of the last pay period of 2018, which resulted in the employees being paid in advance.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Compensation and any other payments for goods and services must not be paid in advance of receipts of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

BOARD OF COUNTY COMMISSIONERS
KNOX COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 31, 2019, with Micheal P. Morris, County Auditor; Karen Donovan, Deputy County Auditor; Julie Lancaster, Bookkeeper; Trent A. Hinkle, County Commissioner; Robert Lechner, President of the County Council; Harry Nolting, County Council member; and Yvette C. Kirchoff, County Attorney.