

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SWITZERLAND COUNTY, INDIANA

January 1, 2017 to December 31, 2018



FILED
11/14/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
County Auditor:	
Audit Results and Comments:	
Annual Financial Report.....	6
Certification of Internal Control Standards.....	6-7
Internal Controls.....	7
Exit Conference	8
County Treasurer:	
Audit Result and Comment:	
Internal Controls.....	10
Exit Conference	11
Board of County Commissioners:	
Audit Results and Comments:	
Training on Internal Control Standards.....	14
Public Works Project.....	14-17
Exit Conference	18

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Gayle A. Rayles	01-01-15 to 12-31-18
	Carolyn J. Green	01-01-19 to 12-31-22
County Treasurer	Vickie James	01-01-17 to 12-31-20
Clerk of the Circuit Court	Gayle Sullivan	01-01-15 to 12-31-22
County Sheriff	Nathan E. Hughes	01-01-15 to 12-31-18
	Brian Morton	01-01-19 to 12-31-22
County Recorder	Nancy Barker	01-01-17 to 12-31-20
President of the Board of County Commissioners	Josh South	01-01-17 to 12-31-17
	Mark Lohide	01-01-18 to 12-31-18
	Josh South	01-01-19 to 12-31-19
President of the County Council	Glenn Scott	01-01-15 to 12-31-17
	Elizabeth Tharp Jones	01-01-18 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF SWITZERLAND COUNTY, INDIANA

This report is supplemental to our audit report of Switzerland County (County), for the period from January 1, 2017 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 Statements Audit Report of the County, which provides our opinion on the County'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

October 2, 2019

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COUNTY AUDITOR
SWITZERLAND COUNTY

COUNTY AUDITOR
SWITZERLAND COUNTY
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

The County's Annual Financial Report (AFR) for 2018 was not filed electronically until April 3, 2019, which was 33 days past the due date.

The County did not include any debt or leases in their AFR submitted to the Indiana Gateway for Government Units (Gateway) financial reporting system.

Criteria

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](#)."

CERTIFICATION OF INTERNAL CONTROL STANDARDS

Condition and Context

The County certified on Gateway 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 required personnel had not received the required training.

Criteria

Indiana Code 5-11-1-4(a) states:

COUNTY AUDITOR
SWITZERLAND COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

"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](#)."

INTERNAL CONTROLS

Condition and Context

The County Auditor performed financial close and reporting annually on the County's records. However, there was no evidence that there was an oversight, review, or approval process in place over the financial close and reporting to ensure accuracy.

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
SWITZERLAND COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 2, 2019, with Carolyn J. Green, County Auditor; Josh South, President of the Board of County Commissioners; Elizabeth Tharp Jones, President of the County Council; and Nancy Craig, Payroll Clerk.

COUNTY TREASURER
SWITZERLAND COUNTY

COUNTY TREASURER
SWITZERLAND COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

Condition and Context

The County Treasurer prepared a monthly bank reconciliation for all bank accounts of the County. However, there was no evidence that an oversight, review, or approval process was performed by someone other than the County Treasurer.

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:

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COUNTY TREASURER
SWITZERLAND COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 2, 2019, with Carolyn J. Green, County Auditor; Josh South, President of the Board of County Commissioners; Elizabeth Tharp Jones, President of the County Council; and Nancy Craig, Payroll Clerk.

The contents of this report were also discussed on October 2, 2019, with Vickie James, County Treasurer.

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BOARD OF COUNTY COMMISSIONERS
SWITZERLAND COUNTY

BOARD OF COUNTY COMMISSIONERS
SWITZERLAND COUNTY
AUDIT RESULTS AND COMMENTS

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The County did not adopt internal control standards and procedures pursuant to state statutes.

The County failed to ensure that all required personnel received the training over the internal control standards as required to be adopted 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."

PUBLIC WORKS PROJECT

Condition and Context

In 2018, the Board of County Commissioners (Commissioners) solicited bids to repair 13 road slips in the County. The winning bid for all 13 road slip repairs was \$806,400. Since the amount exceeded \$150,000, the bidding process would require the Commissioners to follow the Public Works Law, Indiana Code 36-1-12-4. The bid was awarded to a contractor on September 4, 2018, at the Commissioner's meeting. The following noncompliance issues were noted during the review of the County's adherence to the Public Works Law:

1. No plans or specifications were prepared. Contractors known to perform this type of work were contacted by phone to request a bid.
2. The project was not advertised.
3. The bids provided by the contractors were not sealed.
4. No financial statement, statement of experience, and equipment list were provided by the contractors.
5. The Commissioner's minutes did not indicate the bids were read aloud in the meeting.

Additionally, the Commissioner's approved the bid from the contractor without the contractor actually providing bids for two of the road slips. The contractor provided a quote of \$3,400 to the Commissioners to perform core drilling so as to provide bids on the two road slips. The Commissioners approved the quote. The results of the core drilling were not provided to other contractors to bid on the two road slips.

BOARD OF COUNTY COMMISSIONERS
SWITZERLAND COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

Indiana Code 36-1-12-4 states:

"(a) This section applies whenever the cost of a public work project will be:

- (1) except as provided in subdivision (2), at least one hundred fifty thousand dollars (\$150,000); or
- (2) in the case of a board of aviation commissioners or an airport authority board, at least one hundred thousand dollars (\$100,000).

(b) The board must comply with the following procedure:

- (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. If the project involves the resurfacing (as defined by IC 8-14-2-1) of a road, street, or bridge, the specifications must show how the weight or volume of the materials will be accurately measured and verified.
- (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3).
- (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with IC 5-3-1 calling for sealed proposals for the public work needed.
- (4) The notice must specify the place where the plans and specifications are on file and the date fixed for receiving bids.
- (5) The period of time between the date of the first publication and the date of receiving bids shall be governed by the size of the contemplated project in the discretion of the board. The period of time between the date of the first publication and receiving bids may not be more than:
 - (A) six (6) weeks if the estimated cost of the public works project is less than twenty-five million dollars (\$25,000,000); and
 - (B) ten (10) weeks if the estimated cost of the public works project is at least twenty-five million dollars (\$25,000,000).
- (6) The board shall require the bidder to submit a financial statement, a statement of experience, a proposed plan or plans for performing the public work, and the equipment that the bidder has available for the performance of the public work. The statement shall be submitted on forms prescribed by the state board of accounts.
- (7) The board may not require a bidder to submit a bid before the meeting at which bids are to be received. The meeting for receiving bids must be open to the public. All bids received shall be opened publicly and read aloud at the time and place designated and not before. Notwithstanding any other law, bids may be opened after the time designated if both of the following apply:

BOARD OF COUNTY COMMISSIONERS
SWITZERLAND COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (A) The board makes a written determination that it is in the best interest of the board to delay the opening.
 - (B) The day, time, and place of the rescheduled opening are announced at the day, Indiana Code 2017 time, and place of the originally scheduled opening.
- (8) Except as provided in subsection (c), the board shall:
- (A) award the contract for public work or improvements to the lowest responsible and responsive bidder; or
 - (B) reject all bids submitted.
- (9) If the board awards the contract to a bidder other than the lowest bidder, the board must state in the minutes or memoranda, at the time the award is made, the factors used to determine which bidder is the lowest responsible and responsive bidder and to justify the award. The board shall keep a copy of the minutes or memoranda available for public inspection.
- (10) In determining whether a bidder is responsive, the board may consider the following factors:
- (A) Whether the bidder has submitted a bid or quote that conforms in all material respects to the specifications.
 - (B) Whether the bidder has submitted a bid that complies specifically with the invitation to bid and the instructions to bidders.
 - (C) Whether the bidder has complied with all applicable statutes, ordinances, resolutions, or rules pertaining to the award of a public contract.
- (11) In determining whether a bidder is a responsible bidder, the board may consider the following factors:
- (A) The ability and capacity of the bidder to perform the work.
 - (B) The integrity, character, and reputation of the bidder.
 - (C) The competence and experience of the bidder.
- (12) The board shall require the bidder to submit an affidavit:
- (A) that the bidder has not entered into a combination or agreement:
 - (i) relative to the price to be bid by a person;
 - (ii) to prevent a person from bidding; or
 - (iii) to induce a person to refrain from bidding; and

BOARD OF COUNTY COMMISSIONERS
SWITZERLAND COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

(B) that the bidder's bid is made without reference to any other bid.

(C) Notwithstanding subsection (b)(8), a county may award sand, gravel, asphalt paving materials, or crushed stone contracts to more than one (1) responsible and responsive bidder if the specifications allow for bids to be based upon service to specific geographic areas and the contracts are awarded by geographic area. The geographic areas do not need to be described in the specifications."

BOARD OF COUNTY COMMISSIONERS
SWITZERLAND COUNTY
EXIT CONFERENCE

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