

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WARRICK COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED

05/12/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Deborah K. Stevens	01-01-19 to 12-31-22
County Treasurer	Judy M. Beem	01-01-17 to 12-31-20
Clerk of the Circuit Court	Patricia E. Perry	01-01-17 to 12-31-20
County Sheriff	Michael Wilder	01-01-19 to 12-31-22
County Recorder	Patricia A. Brooks	01-01-17 to 12-31-20
President of the Board of County Commissioners	Dan Saylor	01-01-19 to 12-31-20
President of the County Council	Greg Richmond	01-01-19 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDIANAPOLIS, INDIANA 46204-2769

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TO: THE OFFICIALS OF WARRICK COUNTY, INDIANA

This report is supplemental to our audit report of Warrick County (County), for the period from January 1, 2019 to December 31, 2019. 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 Audit Report of the County, which provides our opinions on the County's financial statement. 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

April 30, 2020

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BOARD OF COUNTY COMMISSIONERS
WARRICK COUNTY

BOARD OF COUNTY COMMISSIONERS
WARRICK COUNTY
AUDIT RESULTS AND COMMENTS

COMPENSATION AND BENEFITS

A similar comment appeared in a Management Letter addressed to the County Auditor for the audit period ending December 31, 2018.

Condition and Context

The following payroll deficiencies occurred within the 24 payroll disbursements tested:

1. Two employees did not have employee service records or timesheets.
2. Seven employees had an employee service record, but it did not agree to the payroll claim voucher submitted to the County Auditor's office. The payroll claim voucher did not indicate hours worked, only the amount of the claim voucher. These individuals had not maintained timesheets.
3. Three employees' service records did not document the beginning or ending sick leave balances or when sick time was earned or taken during the audit period.
4. Employees earn vacation leave at a rate of eight hours per day with the number of days determined by longevity. Employees who work a four-day work week schedule record their beginning vacation balance at this rate. However, holidays, bonus, and sick days earned are recorded at a rate of ten hours per day, resulting in two hours of additional compensated leave time for these employees. During 2019, two of the employees tested worked a four-day work week schedule and these employees were compensated an additional two hours of leave time for each holiday in excess of the amount allowed in the employee handbook.
5. Per the County's employee handbook regarding sick leave, "employees may accumulate up to 45-days." In addition, the handbook states: "employees who began their employment with Warrick County before April 15, 2003, and who had at least one (1) year of continuous service as of that date, shall be entitled to receive payment - at their current rate of pay - for accumulated sick leave as of April 15, 2003, up to a maximum of thirty (30) days." One employee's ending sick leave balance was in excess of the 45 day maximum amount allowed and was not hired before April 15, 2003. The accumulated balance at December 31, 2019, was 52.
6. Although the County's payroll system has the capability to track leave balances, the County had not utilized the feature to monitor the leave balances to ensure employees are only using leave time they have earned or carried forward from prior years.

Criteria

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)

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

Each unit must adopt a written policy regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated labor contracts approved by the governing body would be considered as written policy. The policy must conform to the requirements of all state and federal regulatory agencies. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

INTERNAL CONTROLS - PAYROLL

Condition and Context

There were deficiencies in the internal control system of the County related to financial transactions and reporting of payroll disbursements. The County had not separated incompatible activities related to payroll disbursements. Per the employee handbook, "Once received, the County Auditor shall keep an accurate record of time worked in order to calculate employee pay and benefits." Of the 17 nonelected employee payroll disbursements tested, 6 were noncertified by the County Auditor for payment due to lack of supporting information submitted from the department heads (as described in the Compensation and Benefit Comment) to the County Auditor; however, the Board of County Commissioners approved them for payment.

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. . . .

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 all inclusive, but is reproduced here for reference purposes: . . .

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

BOARD OF COUNTY COMMISSIONERS
WARRICK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 30, 2020, with Dan Saylor, President of the Board of County Commissioners; Deborah K. Stevens, County Auditor; BJ Farrell, Deputy County Auditor; Ted Metzger, County Council member; Greg Richmond, President of the County Council; and Krystal Powless, Council Administrator.

COUNTY AUDITOR
WARRICK COUNTY

COUNTY AUDITOR
WARRICK COUNTY
AUDIT RESULTS AND COMMENTS

FAILURE TO REPORT MISAPPROPRIATION OF FUNDS

Condition and Context

The County Auditor's office received a fraudulent email requesting a change of bank account information for an employee of the County. As a result, \$2,306 was paid to the fraudulent bank account. There was no documentation provided that showed any attempt to recoup the funds; however, the County Auditor's office contacted the bank and advised the employee to inform law enforcement. The bank was unable to resolve the issue. These funds were never recouped, nor reported to law enforcement or the Indiana State Board of Accounts, per State Examiner Directive 2015-6. The County had not established a materiality threshold for reporting irregular variances, losses, shortages, and thefts. Therefore, all irregular variances, losses, shortages, and thefts should have been reported to the Indiana State Board of Accounts.

Criteria

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

"A public officer who has actual knowledge of or reasonable cause to believe that there has been a misappropriation of public funds or assets of the public office, including:

- (1) information obtained as a result of a police report;
- (2) an internal audit finding; or
- (3) another source indicating that a misappropriation has occurred;

shall immediately send written notice of the misappropriation to the state board of accounts and the prosecuting attorney serving in the area governed by the political subdivision."

Units have a responsibility to collect amounts owed to the unit pursuant to procedures authorized by law. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

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COUNTY AUDITOR
WARRICK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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Deborah K. Stevens

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May 8, 2020

State Board of Accounts
302 Washington St., Room E418
Indianapolis, Indiana 46204-2765

This letter is a response to the Audit Results and Comments for Warrick County regarding Compensation and Benefits. I am a strong supporter of transparency in government. I also appreciate the oversight State Board of Accounts provides to local government on behalf of the taxpayers. Payroll non-compliance is a serious matter that I have addressed multiple times with the Board of Commissioners and Council. Accurate time keeping and reporting of hours worked by all public employees is required by the Internal Revenue Service and Indiana Code. After requesting supporting documentation for certification of claims for payroll and not receiving support from Management to obtain documentation, I resolved to present non-certified claims for Payroll to the Commissioners. The Commissioners continue to approve payroll claims without proof of hours worked. As the Fiscal Officer of Warrick County, I have communicated the risk of payroll non-compliance in terms of loss of tax dollar revenue. Additionally, payroll non-compliance is a risk to the County as a federal grant recipient and can negatively impact the County's credit rating. I am committed to protecting the tax dollars of the residents of Warrick County. I will not certify claims for their tax dollars without necessary supporting documentation.

Respectfully submitted,

Deborah Stevens

Warrick County Auditor

COUNTY AUDITOR
WARRICK COUNTY
EXIT CONFERENCE

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