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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WARRICK COUNTY, INDIANA

January 1, 2020 to December 31, 2020

FILED
10/28/2021

TABLE OF CONTENTS

Description	Page
Schedule of Officials	2
Transmittal Letter	3
County Auditor:	
Audit Results and Comments:	
Accounting for Coronavirus Relief Funds	6-7
Disbursements from MVH Restricted Fund	7
Official Response	8
Exit Conference	9
Board of County Commissioners:	
Audit Results and Comments:	
Compensation and Benefits	12
Record of Hours Worked - Supporting Documentation	12-13
Official Response	14
Exit Conference	15
County Prosecuting Attorney:	
Audit Result and Comment:	
Record of Hours Worked - Supporting Documentation	18-19
Exit Conference	20
County Highway Department:	
Audit Result and Comment:	
Disbursements from MVH Restricted Fund	22
Exit Conference	23

SCHEDULE OF OFFICIALS

Office	Official	Term
County Auditor	Deborah K. Stevens	01-01-20 to 12-31-21
County Treasurer	Judy M. Beem	01-01-20 to 12-31-21
Clerk of the Circuit Court	Patricia E. Perry	01-01-20 to 12-31-21
County Sheriff	Michael Wilder	01-01-20 to 12-31-21
County Recorder	Patricia A. Brooks	01-01-20 to 12-31-21
President of the Board of County Commissioners	Dan Saylor Terry Phillippe	01-01-20 to 12-31-20 01-01-21 to 12-31-21
President of the County Council	Greg Richmond	01-01-20 to 12-31-21

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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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, 2020 to December 31, 2020. 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

October 14, 2021

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COUNTY AUDITOR
WARRICK COUNTY

ACCOUNTING FOR CORONAVIRUS RELIEF FUNDS

Condition and Context

The County did not properly account for the Coronavirus Relief Fund (CRF) in accordance with the options outlined in State Examiner Directive 2020-3.

The County utilized a fund, the CARES Provider Relief Fund (CARES fund), that was specified for another CARES purpose to account for the CRF money received from the Indiana Finance Authority (IFA).

The County receipted the IFA reimbursement for payroll, totaling $1,867,108, into the CARES fund. The County then transferred a portion of the payroll reimbursement from the CARES fund to the General fund. The remaining balance of the IFA reimbursement was paid directly from the CARES fund without appropriation for ten non-payroll expenditures totaling $62,898.

Criteria

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options.

Option One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and re-appropriate the general fund (or other fund) in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the general fund (or other fund), it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once option one is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

Option Two. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020. . . .**

Transactions for other permitted costs reimbursed by IFA must be accounted for through one of the following prescribed frameworks. . . .

Framework Three: If you have created a negative balance in your CARES fund based on expenditures made in anticipation of receipt of reimbursement for allowable expenditures where invoices have already been submitted to IFA then leave as is and receipt reimbursement when received, bringing the balance in the separate CARES grant fund to zero. Going forward, expend any anticipated allowable expenditures from a fund with an appropriation and follow framework one. If a negative balance in the CARES grant fund is not fully reimbursed, then the unreimbursed amount will require a reverse entry and posting of the expenditure to the general or other appropriate fund within an appropriated line item.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund.** (State Examiner Directive 2020-3)

DISBURSEMENTS FROM MVH RESTRICTED FUND

Condition and Context

The County allocated at least 50 percent of the motor vehicle highway distributions to the MVH Restricted fund. Of the ten MVH Restricted fund disbursements selected for compliance testing, one of the disbursements was for payroll which was determined to not be used for construction, reconstruction, or preservation of the County's highways.

Criteria

Indiana Code 8-14-1-4(b) states: "For funds distributed to a county from the motor vehicle highway account, the county shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the county's highways."

Deborah K. Stevens
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B.J. Farrell
Chief Deputy Auditor
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Judicial Center Building
One County Square, Suite 240
Boonville, Indiana 47601

October 15, 2021

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 the Warrick County Auditor. 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. In 2020, Council did appropriate for CARES Act expenditures in the Rainy Day Fund. The claim for expenses totaling $65,898.00 was filed with the Indiana Finance Authority (IFA), but was not paid. Instead of paying the claim, the IFA returned the claim with a request for Warrick County to file one large and final claim for Public Safety payroll totaling $1,867,108.00. The $65,898.00, in previous expenditures, should have been reversed from the CARES Act fund to the Rainy Day fund appropriation, instead of being deducted from the Public Safety payroll reimbursement. The final outcome for the accounting was exactly the same since the Rainy Day fund was fully reimbursed in 2021 from the CARES Act payroll reimbursement in the General Fund, however, the exact accounting sequence of transactions were incorrect as stated in the report.

The State Budget Agency and Indiana Finance Authority made decisions concerning the CARES Act funds that opened a door for local executive boards, County Commissioners, to deviate from the normal checks and balances of the County Fiscal Officer (Auditor) and County Fiscal Board (County Council). In Warrick County, the duties of the Auditor, in regards to claim certification and submission, were circumvented by County Commissioners and the County Attorney. This decision was not in the best interest of the taxpayers and further complicated accurate compliance and maintenance of federal funds.

The Auditor's Office has strong internal controls to protect the taxpayers' dollars and ensure standard accounting and uniform compliance guidelines are followed. In the future, these guidelines and transaction sequence will be reviewed prior to closing and disbursing funds when grant agreements have ended.

Respectfully,

Deborah K. Stevens

Deborah Stevens
Warrick County Auditor

COUNTY AUDITOR
WARRICK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 14, 2021, with Deborah K. Stevens, County Auditor; BJ Farrell, Deputy County Auditor; Terry Phillippe, President of the Board of County Commissioners; Dan Saylor, County Commissioner; Chris Whetstine, County Council member; Ron Bacon, County Council member; Robert Howard, Highway Administrator; Roger Emmons, Administrator to the Commissioners; and Krystal Powless, County Council Administrator.

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BOARD OF COUNTY COMMISSIONERS
WARRICK COUNTY

COMPENSATION AND BENEFITS

This same comment appeared in prior Report B55229.

Condition and Context

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 2020, one of the employees tested worked a four-day work week schedule, and this employee was compensated an additional two hours of leave time for each holiday in excess of the amount allowed in the employee handbook. This employee also was accruing an additional two hours of sick time each month in excess of the amount allowed in the employee handbook.

Criteria

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 County Auditors 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 County Auditors of Indiana, Chapter 1)

RECORD OF HOURS WORKED - SUPPORTING DOCUMENTATION

A similar comment appeared in prior Report B55229, entitled *COMPENSATION AND BENEFITS*.

Condition and Context

The payroll for the employees of the County Prosecuting Attorney's office is processed and paid by the County. Their compensated absences and other employee benefits follow County policy. The County Prosecuting Attorney provided a payroll claim form in lieu of the Form 99 Payroll Schedule and Voucher, which did not document the days/hours worked or the compensated absences taken during the pay period, nor was there any supporting documentation attached that provided this information.

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." The County Auditor did not certify the payroll claim due to lack of supporting documentation before presenting it to the Board of County Commissioners. The County Commissioners approved the claim for payment without evidence of this information being reviewed.

Criteria

Indiana Code 5-11-10-1.6 states in part:

". . . (c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

(1) there is a fully itemized invoice or bill for the claim;

(2) the invoice or bill is approved by the officer or person receiving the goods and services;

(3) the invoice or bill is filed with the governmental entity's fiscal officer;

(4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and

(5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . .

(d) The fiscal officer of a governmental entity shall issue checks or warrants for claims by the governmental entity that meet all of the requirements of this section. The fiscal officer does not incur personal liability for disbursements:

(1) processed in accordance with this section; and

(2) for which funds are appropriated and available. . . ."

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employee's Service Record
General Form 99B, Employee's Earnings Record
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

Employee's Service Record (Form 99A) - This record is required to be kept by each office or department to support the preparation of payrolls. A separate form shall be kept on a calendar year basis for each employee. The record is designed to show for each calendar date whether the employee worked, was absent, or was on vacation, sick, or other authorized leave. (See page 6-30 for copy of form.)

If it is deemed desirable to centralize the keeping of all employees' service records in the auditor's office this may be done, with the posting to such records to be made from the payroll schedules filed for payment; however, this will in no way eliminate the need for such records to be kept by offices and departments having a large number of employees, such as the county highway department, to support the preparation of payrolls. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

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)

WARRICK COUNTY
COMMISSIONERS
107 W. LOCUST STREET
COURTHOUSE; ROOM 301
BOONVILLE, IN 47601
PHONE (812) 897-6120 FAX – (812) 897-6189

DAN SAYLOR TERRY J PHILLIPPE ROBERT JOHNSON

OFFICIAL RESPONSE

Date: October 28, 2021

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

Re: 2020 Audit Results and Comments

1. Compensation and Benefits

The current handbook references days for vacation, sick, and holiday benefits but does not define the number of hours in a day based on an employee's or department's work schedule. This issue is addressed in the new employee handbook, which was due 12/31/2020; however, it was delayed due to pandemic issues taking priority. The new employee handbook has been developed. A handbook committee was formed and has confidentially reviewed the new employee handbook along with legal counsel; once approved by the Board of Commissioners, the issues will be corrected; this will be completed by 12/31/2021.

2. Record of Hours Worked – Supporting Documentation

This finding was rapidly addressed after the 2019 audit; at that time, no departments were providing supporting documentation. The Commissioners are working with the one remaining office to educate and provide the support needed to gain compliance.

Terry J Phillippe
President, Warrick County Board of Commissioners

BOARD OF COUNTY COMMISSIONERS
WARRICK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 14, 2021, with Terry Phillippe, President of the Board of County Commissioners; Dan Saylor, County Commissioner; Deborah K. Stevens, County Auditor; BJ Farrell, Deputy County Auditor; Chris Whetstine, County Council member; Ron Bacon, County Council member; Robert Howard, Highway Administrator; Roger Emmons, Administrator to the Commissioners; and Krystal Powless, County Council Administrator.

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COUNTY PROSECUTING ATTORNEY
WARRICK COUNTY

RECORD OF HOURS WORKED - SUPPORTING DOCUMENTATION

Condition and Context

The payroll for the employees of the County Prosecuting Attorney's office is processed and paid by the County. Their compensated absences and other employee benefits follow County policy. The County Prosecutor provided a payroll claim form in lieu of the Form 99 Payroll Schedule and Voucher, which did not document the days/hours worked or the compensated absences taken during the pay period nor was there any supporting documentation attached that provided that information.

The County Auditor is charged with auditing all claims, including payroll claims, before payment in compliance with IC 5-11-10-1.6. As part of that audit, the auditor is to determine that salaries and wages are in strict accordance with those fixed by the county council and with the approved compensated leave policies. Without the information on days/hours worked and compensated absences taken, the County Auditor is not able to certify that the claim is in compliance with IC 5-11-10-1.6. The County Auditor did not certify the claim before presenting it to the Board of County Commissioners. The County Commissioners approved the claim for payment without evidence of this information being reviewed.

Criteria

Indiana Code 36-2-6-7 states in part:

"(a) The county auditor may issue a warrant for money to be paid out of the county treasury in payment of a claim only if the claim:

(1) complies with IC 5-11-10-1.6; and

(2) is filed with the auditor more than five (5) days before the first day of the meeting of the county executive at which it is allowed. . . ."

Indiana Code 5-11-10-1.6 states in part:

". . . (c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

(1) there is a fully itemized invoice or bill for the claim;

(2) the invoice or bill is approved by the officer or person receiving the goods and services;

(3) the invoice or bill is filed with the governmental entity's fiscal officer;

(4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and

(5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . .

(d) The fiscal officer of a governmental entity shall issue checks or warrants for claims by the governmental entity that meet all of the requirements of this section. The fiscal officer does not incur personal liability for disbursements:

(1) processed in accordance with this section; and

(2) for which funds are appropriated and available. . . ."

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

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If it is deemed desirable to centralize the keeping of all employees' service records in the auditor's office this may be done, with the posting to such records to be made from the payroll schedules filed for payment; however, this will in no way eliminate the need for such records to be kept by offices and departments having a large number of employees, such as the county highway department, to support the preparation of payrolls. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

One of the most important duties of the county auditor, as the title of the office implies, is to audit all claims and vouchers prior to their allowance and payment. It is not expected that the county auditor personally supervise the performance of all work or the delivery of all goods, but to insure a claim or voucher is proper, the following minimum audit steps should be observed: . . .

2. If for personal services, determine that salaries and wages are in strict accordance with those fixed by the county council or by the board or officer having jurisdiction. . . .

It is important that that the foregoing audit procedures be observed to insure that all claims or vouchers are paid in good faith and thereby minimize the possible liability for payment of a wrongful or unlawful claim or voucher. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 8)

COUNTY PROSECUTING ATTORNEY
WARRICK COUNTY
EXIT CONFERENCE

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COUNTY HIGHWAY DEPARTMENT
WARRICK COUNTY

COUNTY HIGHWAY DEPARTMENT
WARRICK COUNTY
AUDIT RESULT AND COMMENT

DISBURSEMENTS FROM MVH RESTRICTED FUND

Condition and Context

The County allocated at least 50 percent of the motor vehicle highway distributions to the MVH Restricted fund. Of the ten MVH Restricted fund disbursements selected for compliance testing, one of the disbursements was for payroll which was determined to not be used for construction, reconstruction, or preservation of the County's highways.

Criteria

Indiana Code 8-14-1-4(b) states: "For funds distributed to a county from the motor vehicle highway account, the county shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the county's highways."

COUNTY HIGHWAY DEPARTMENT
WARRICK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 14, 2021, with Robert Howard, Highway Administrator; Terry Phillippe, President of the Board of County Commissioners; Dan Saylor, County Commissioner; Deborah K. Stevens, County Auditor; BJ Farrell, Deputy County Auditor; Chris Whetstine, County Council member; Ron Bacon, County Council member; Roger Emmons, Administrator to the Commissioners; and Krystal Powless, County Council Administrator.