

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

AUDIT REPORT

OF

COUNTY AUDITOR

ST. JOSEPH COUNTY, INDIANA

January 1, 2005 to December 31, 2005



FILED
09/29/2006

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Michael C. Eby	01-01-04 to 12-31-07
President of the County Council	Rafael Morton	01-01-05 to 12-31-06
President of the Board of County Commissioners	Cynthia A. Bodle	01-01-05 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF ST. JOSEPH COUNTY

We have audited the records of the County Auditor for the period from January 1, 2005 to December 31, 2005, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Annual Report of St. Joseph County for the year 2005.

STATE BOARD OF ACCOUNTS

July 27, 2006

COUNTY AUDITOR
ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS

CASH OVERDRAFT

At December 31, 2005, several funds had cash overdraft balances. Some of these funds were grant related and grant reimbursements eliminated the cash overdrafts early in 2006. Two funds had large negative cash balances. The following schedule shows these two funds' cash balances in recent years:

<u>Year Ending</u>	<u>Group Insurance</u>	<u>Liability Reserve</u>
12-31-02	\$ 2,091,125	\$ 692,588
12-31-03	4,183,554	962,084
12-31-04	5,524,952	1,144,313
12-31-05	9,149,596	1,800,147

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter XIV)

BOARD OF COUNTY COMMISSIONERS' MEETING MINUTES

Not all minutes of the Board of County Commissioners' meetings were available for our 2005 audit. Minutes for eight dates during 2005 were available for us. The Commissioners meet weekly.

The Auditor is ex-officio clerk or secretary of the following official bodies:

- a. Board of Commissioners
- b. County Council
- c. County Board of Tax Adjustment

In this capacity it is the Auditor's duty to publish and mail notices of meetings and to keep complete minutes attached to the proceedings of such bodies. In addition, all bids, contracts, petitions, ordinances, resolutions and other official documents submitted to or acted upon by such bodies shall be filed with and preserved by the Auditor as a part of the minutes.

Information regarding the meetings of these official bodies and the Auditor's duties in connection therewith is as follows:

Board of County Commissioners' Meetings - The board of county commissioners shall meet in regular session at least once each month. Dates of regular meetings shall be established by resolution at the first meeting in January of each year. [IC 36-2-2-6]

When the commissioners are called in special session by the auditor, the call shall state specifically for what special business the session was called and it shall be unlawful for the board to transact any business not included in the call. [IC 36-2-2-8]

COUNTY AUDITOR
ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

The county auditor shall keep a record of the proceedings of the meetings of the board of county commissioners. [IC 36-2-2-11] The proceedings and determinations of the board shall be recorded in a book to be kept for that purpose, and all books, accounts, vouchers, papers and documents, touching the business or property of the county, shall be carefully kept by the auditor. [IC 36-2-2-11] (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter III)

ANNUAL REPORT

An annual report was prepared but it was incomplete and it was not filed with the Indiana State Board of Accounts. The previous Audit Report B25993 included an audit exception that no annual report was prepared for 2004 and also none prepared for 2003. For the financial statements, we reported receipts for those funds that were excluded from the annual report as not identified since only the fund total receipts are reported.

Indiana Code 5-11-1-4(a) concerning annual reports states in part: ". . . these reports shall be prepared, verified, and filed with the state examiner within thirty (30) days after the close of each fiscal year."

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund/Department</u>	<u>Excess Amount Expended</u>
General/Coroner	\$ 139,570
General/Circuit Court	13,202
General/Superior Court	101,409
Park Nonreverting	155,901

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

PROPERTY TAX SETTLEMENT

After the December 2005 tax settlement, the County Treasurer's Daily Balance of Cash and Depositories shows an unidentified balance of property taxes of \$1,425,854. This unidentified balance is the same as of July 19, 2006.

By the provisions of IC 6-1.1-27-1 and 6-1.1-27-2 the county auditor and the county treasurer, on or before June 20th and December 20th of each year, shall meet to make settlement of taxes and special assessments collected during the preceding six months periods ending May 10 and November 10, respectively, and at that time the treasurer shall also make settlement of any other collections required by law to be paid to the county treasurer. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter IX)

COUNTY AUDITOR
ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

EXCISE TAX

The December 31, 2005, balance in the Auditor's excise tax ledger, \$52,169,114, did not agree with the balance on the County Treasurer's Daily Balance of Cash and Depositories, \$1,470,149. Tests indicate that the balance on the Treasurer's record is accurate. The list of excise tax receipts not included in the fall 2005 settlement totaled \$1,239,476 or \$230,673 less than the cash balance.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter XIV)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter XIV)

CONGRESSIONAL INTEREST

The Auditor has not disbursed Congressional interest to the local school districts since 2003. Interest payments payable to the schools total \$1,507 semiannually.

Semiannually, on the second Monday of July and the last Monday in January, the auditor of each county shall make distribution of the interest on the congressional fund to the treasurer of each school corporation. The interest is computed at the rate of 4% per annum on the amount held in trust for each congressional township and apportioned and distributed on the basis of the enumeration of children, pursuant to IC 21-1-1-54. The last enumeration of children was made in the year 1932 and the amounts held in trust by the respective townships have not changed since that time. Therefore, the basic apportionment and distribution formula has been affected in recent years only by the reorganization of school corporations. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter XI)

TAX SALE SURPLUS FUNDS

The County was holding \$115,475 in Tax Sale Surplus, at December 31, 2005, which was held for more than three years.

Indiana Code 6-1.1-24-7(c) states: "An amount deposited in the tax sale surplus fund shall be transferred by the county auditor to the county general fund and may not be disbursed under subsection (b) if it is not claimed within the three (3) year period after the date of its receipt."

SURPLUS TAX FUND

The surplus tax fund ledger was not reconciled with the County's Surplus Tax Fund. Records presented for audit indicate that at December 31, 2005, the County's Surplus Tax Fund had a balance of \$1,782,778. A similar comment appeared in the prior Audit Report B25993.

COUNTY AUDITOR
ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledgers, and reconciled bank balance should agree. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR
ST. JOSEPH COUNTY
EXIT CONFERENCE

The audit comments included in this report were discussed on August 17, 2006, with John Lentz, Deputy County Auditor; and with Cynthia A. Bodle, President of the Board of County Commissioners.

The audit comments included in this report were reviewed on September 12, 2006, by Michael C. Eby, Auditor. His response has been made a part of this report and may be found on pages 9 and 10.

ST. JOSEPH COUNTY AUDITOR

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Michael C. Eby
Auditor

John T. Lentz, C.P.A.
Chief Deputy Auditor

September 14, 2006

To: Bruce Snyder, State Board of Accounts

From: Michael Eby, St. Joseph County Auditor



Re: Audit Results Response

I would like to take this opportunity to respond to some of the comments presented in the 2005 Annual Audit of St. Joseph County.

Cash Overdrafts

As in years past, our Group Insurance line is overdrawn and continues to show a growing debt. During this year's budget cycle, the council and commissioners took steps to rectify this situation and begin paying down this debt. Details on this proposal have been forwarded to your office as part of a corrective action plan.

Board of Commissioners' Minutes

As long as I have been the County Auditor, the County Commissioners have never approved minutes at a meeting. At the request of the SBOA, I have taken steps to bring all of the minutes up to date. This past summer, we hired an intern whose job was solely to transcribe and prepare minutes. She was able to bring us much closer to present. We will now be dedicating part-time interns to this process in an attempt to prevent us from falling behind again.

Appropriations

The departments of County Coroner, Superior Court, and Circuit Court have all shown expenditures in excess of budgeted appropriations because of unforeseen expenses that have taken place in each of those departments.

For the Coroner, the dramatic rise in the need for autopsies coupled with rising autopsy costs have led to expenses in excess of the budgeted amount. At present, the County Commissioners are researching ways to reduce our costs and provide a viable, sustainable option for autopsies.

For both Circuit and Superior Courts, the rise in the number of jury trials have resulted in additional expenses that were unforeseen. While both courts have done their best to control expenses, there was no way for the courts to anticipate the larger than normal jury load.

Property Tax Settlement

The unidentified balance of 1.4 million dollars was found to be the result of Homestead PTRC being improperly posted on the

Treasurer's sheets. This has been corrected.

Excise Tax

The discrepancy in the Excise tax ledger was the result of a deposit not being received from the County Treasurer's office. While we were given the run from the BMV, we were not given the deposit from the Treasurer's office. This has also been rectified.

Tax Sale Surplus Fund

Monies held in the Tax Sale Surplus fund have been cleared out as of September 1, 2006.

Surplus Tax Fund

There is currently reconciliation in progress involving the Tax Sale Surplus Fund. Our IT department is working with us to provide a detail account which is automatically pulled from the tax system, rather than hand-generated reports.

Should you have any further questions, please feel free to contact me.