

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

AUDIT REPORT

OF

BOARD OF COUNTY COMMISSIONERS

VERMILLION COUNTY, INDIANA

January 1, 2006 to December 31, 2006



FILED

06/21/2007

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Sherrie A. Koma	01-01-05 to 12-31-08
President of the County Council	Michael Costello John Yoho	01-01-06 to 12-31-06 01-01-07 to 12-31-07
President of the Board of County Commissioners	Tim J. Wilson	01-01-06 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF VERMILLION COUNTY

We have audited the records of the Board of County Commissioners for the period from January 1, 2006 to December 31, 2006, 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 Vermillion County for the year 2006.

STATE BOARD OF ACCOUNTS

May 9, 2007

BOARD OF COUNTY COMMISSIONERS
VERMILLION COUNTY
AUDIT RESULTS AND COMMENTS

INDEBTEDNESS

During the years 2003, 2004, and 2005, members of the Board of County Commissioners (county executive) obtained seven bank loans totaling \$530,266 with pay back terms ranging from two to five years. The proceeds of the loans were used "for operations of the highway department," or to purchase equipment and road paving materials for the highway department. The County Council, (county fiscal body), was not involved in the procurement or approval of any of the loans. The Commissioners did not discuss entering into the loans at their monthly meetings. The amount of principal and interest due on the outstanding loans have not been included in the annual budgets for either the Highway or Local, Road and Street funds for the years 2003 through 2007. Further, a final payment on one of the loans in the amount of \$27,000 was paid on February 23, 2007, with funds held by the Jail Building Corporation (received from the refinancing of the Jail Building Corporation bonds). The agreement with the Vermillion County Jail Building Corporation does not include the authority to make debt payments on old outstanding loans from the proceeds held in the construction fund.

Indiana Code 36-2-6-18 states: "(a) The County fiscal body may, by ordinance: (1) make loans for the purpose of procuring money to be used in the exercise of county powers and for the payment of county debts other than current running expenses, and issue bonds or other county obligations to refund those loans; (2) make temporary loans to meet current running expenses, in anticipation of and not in excess of county revenues for the current fiscal year, which shall be evidenced by tax anticipation warrants of the county . . ."

A governmental unit may not incur indebtedness unless specifically allowed by statute. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 14)

Indiana Code 36-2-5-7 states: "County executive's budget estimate Sec. 7. Before the Thursday after the first Monday in August of each year, the county executive shall prepare an itemized estimate of all money to be drawn by the members of the executive and all expenditures to be made by the executive or under its orders during the next calendar year. Each executive's budget estimate must include: . . . (8) the amount of principal and interest due on bonds and loans, itemized for each loan and bond issue; . . ."

In addition to the foregoing, the Board of County Commissioners has jurisdiction over the budget for the County Highway Department, for which separate estimates should be prepared for the County Highway Fund, the Cumulative Bridge Fund and for any other fund under jurisdiction of the board. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 8)

PENALTIES, INTEREST AND OTHER CHARGES PAID ON LOAN

Claims for payment of principal and interest on an outstanding loan were not submitted timely by the County Highway Department during the years 2003 to 2007. The amount of interest payable over the life of the loan, based on the original payment schedule, was \$18,296.75. The amount of interest actually paid by the County for this loan was \$20,134.98. Due to the haphazard timing of the loan payments \$1,838.23 of additional interest and fees was paid.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 14)

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

PUBLIC WORKS PROJECT

On June 6, 2006, Vermillion County awarded a project for the construction of a "metal pole-barn style structure" to Swinford Construction (contractor). Bids were properly advertised, taken and accepted at public meetings and Swinford was the lowest bidder with a bid of \$77,929.96. The following are the deficiencies noted in the procedures used for this public works project:

1. A contract for the project was not presented for audit. The acceptance portion of the bid form was presented as the contract, it was signed by two commissioners.
2. The document representing the contract had written on it that "permits are the responsibility of contractor." A Construction Design Release from the Indiana Department of Homeland Security Division of Fire Safety/Plan Review dated October 3, 2006, was presented. No other permits, neither State nor local (building, health, etc.), had been obtained by the contractor resulting in the Vermillion County Zoning Administrator posting a "Stop Work Order" at the site on November 9, 2006.
3. Installation of plumbing was included in the original specifications. Evidence that the contractor is a licensed plumbing contractor was not presented for audit.
4. Another document from Swinford Construction was presented for audit dated August 1, 2006, which included a proposal "To finish the interior of the pole building: Drywall, Wiring, Rest-room, Heating, Cooling, Floor Covering" for \$60,000. This additional phase of the project was never let out for public bid, nor was it ever discussed at a public meeting. The document was signed only by the contractor.
5. Payments totaling \$127,000 had been paid to the contractor as of January 3, 2007. On January 9, 2007, the commissioners voted at a public meeting to stop all work on the building.
6. A final payment of \$10,929.96 was paid to the contractor on April 24, 2007.

Indiana Code 36-1-12-10 states: "Plans and specifications; approval by various agencies Sec. 10. All plans and specifications for public buildings must be approved by the state department of health, the division of fire and building safety, and other state agencies designated by statute."

Indiana Code 36-1-12-21 states: "(a) A person who submits a bid for a public works contract under this chapter that involves the installation of plumbing must submit evidence that the person is a licensed plumbing contractor under IC 25-28.5-1."

Indiana Code 36-1-12-18 states in part: "(a) If, in the course of construction, reconstruction or repair of a public work project, it becomes necessary to change or alter the original specifications, a change order may be issued to add, delete, or change an item or items in the original contract. The change order becomes an addendum to the contract and must be approved and signed by the board and the contractor . . . (c) A change order may not be issued before commencement of the actual construction, reconstruction, or repairs except in the case of an emergency. In that case, the board must make a declaration, and the board's minutes must show the nature of the emergency. (d) The total of all change orders issued that increase the scope of the project may not exceed twenty percent (20%) of the amount of the original contract. A change order issued as a result of circumstances that could not have been reasonably foreseen does not increase the scope of the project. (e) All change orders must be directly related to the original public work project. . . ."

BOARD OF COUNTY COMMISSIONERS
VERMILLION COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 9, 2007, with Tim J. Wilson, President of the Board of County Commissioners.