

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

AUDIT REPORT

OF

COUNTY TREASURER

LAWRENCE COUNTY, INDIANA

January 1, 2006 to December 31, 2006



FILED

09/06/2007

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Debbie Thompson	01-01-05 to 12-31-08
President of the County Council	Joseph Ross Ross Jean	01-01-06 to 12-31-06 01-01-07 to 12-31-07
President of the Board of County Commissioners	Janie Craig Chenault William Spreen	01-01-06 to 12-31-06 01-01-07 to 12-31-07



STATE OF INDIANA
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TO: THE OFFICIALS OF LAWRENCE COUNTY

We have audited the records of the County Treasurer 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 Lawrence County for the year 2006.

STATE BOARD OF ACCOUNTS

August 1, 2007

COUNTY TREASURER
LAWRENCE COUNTY
AUDIT RESULTS AND COMMENTS

OLD OUTSTANDING CHECKS (WARRANTS)

Our review of the bank reconcilements as of December 31, 2006, revealed \$4,436.71 of checks outstanding in excess of two years.

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void . . ."

Indiana Code 5-11-10.5-3 states: "Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the: (1) board of finance of the political subdivision; or (2) fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

OPTICAL IMAGES OF WARRANTS

The Stone City Bank did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks.

Indiana Code 5-15-6-3(a) concerning optical imaging of checks states in part: "'original records' includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . .; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Further, Indiana Code 26-2-8-111(a) and (e) state in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

COUNTY TREASURER
LAWRENCE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise: and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not completed correctly for the year 2006. As of December 31, 2006, the amount of unidentified funds in the bank was \$26,768.30.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

RECONCILIATION OF SUBSIDIARY LEDGERS

Posting errors were not discovered in a timely manner because reconcilements were not made between the subsidiary ledgers and the control accounts. The following errors were noted during the audit:

1. Reconcilements were not made between the Treasurer's Monthly Financial Statement, Form 61, and the Auditor's Monthly Financial Statement, Form 61. On December 31, 2006, the Treasurer's Cash Book had a balance of \$1,433.26 more than the Auditor's Ledger.
2. Surplus Tax Funds were not handled properly. Surplus Tax was not moved from the Treasurer's Daily Cash Book to the Auditor's Ledger as required. The Surplus Tax Fund Ledger, Form 65 STS, was not reconciled to the amount in the Surplus Tax Fund in the Auditor's ledger. The balance in the Surplus Tax Fund in the Treasurer's Daily Cash Book and the Auditor's Ledger was \$11,486.56 less than the amount in the Surplus Tax Ledger, Form 65 STS.
3. The tax advance amount in the Treasurer's Daily Cash Book is \$15,345.87 more than the amount on the Payment Summary for December 29, 2006.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers, Chapter 10)

COUNTY TREASURER
LAWRENCE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

COLLECTIONS NOT DEPOSITED

Three taxpayers presented Real Property Tax Statements that were stamped paid by the County Treasurer, but the payments had not been posted to the duplicate and no record could be found of the payments being deposited.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in the office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers, Chapter 10)

Debbie Thompson, Treasurer, was asked to reimburse the County General Fund for the \$1,306.85 of tax payments that were not deposited into the County funds. (See Summary, page 9)

ADDITIONAL AUDIT COSTS

Additional audit costs were incurred during the current audit due to subsidiary ledgers, control ledgers, and bank balances not being reconciled. More audit costs were incurred due to collections not being deposited. The additional time spent totaled 30 additional hours. Additional audit costs totaled \$2,464.13 (37.50 hours times \$65.71, which is our full cost rate for 2007).

OFFICIAL BOND

The Treasurer, Debbie Thompson, was bonded by Western Surety Company. The surety bond is recorded in the Lawrence County Recorder's Office. The bond for the period January 1, 2005 to January 1, 2009, is recorded in Bond Book 253, page 184. The amount of the bond is \$200,000.

COUNTY TREASURER
LAWRENCE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 1, 2007, with Billie Tumey, Auditor; Ross Jean, President of the County Council; David Flinn, County Commissioner, and David A. Smith, County Attorney.

The contents of this report were discussed on August 1, 2007, with Debbie Thompson, Treasurer. The official response has been made a part of this report and may be found on page 8.

OFFICIAL RESPONSE

OLD OUTSTANDING CHECKS (WARRANTS)

All outstanding warrants or checks in excess of two years will be deposited back into the original fund no later than September 28, 2007.

OPTICAL IMAGES OF WARRANTS

As of May 1, 2007, Stone City Bank started sending an optical image of both the front and back of checks that have been processed for payment.

BANK ACCOUNT RECONCILIATIONS

We are currently working on the bank account reconciliations. The problems we are seeing with the reconcilements are coming from voided checks, NSF checks and EFT's that are posted in one month and deposited in another month.

RECONCILIATION OF SUBSUDUARY LEDGERS

We are currently working on this problem and hope to have it resolved in a timely manor.

COLLECTIONS NOT DEPOSITED

I believe there were three tax-statements that got stamped paid and the payor only paid the first installment. Said monies have been reimbursed to the county as of August 1, 2007.

COUNTY TREASURER
LAWRENCE COUNTY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Debbie Thompson, Treasurer:			
Collections Not Deposited, page 6	\$ 1,306.85	\$	\$
Paid by Debbie Thompson, Treasurer			
Receipt 1859, Deposited August 1, 2007	_____	1,306.85	_____ -
 Totals	 <u>\$ 1,306.85</u>	 <u>\$ 1,306.85</u>	 <u>\$ -</u>