

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

AUDIT REPORT

OF

COUNTY AUDITOR

WARRICK COUNTY, INDIANA

January 1, 2006 to December 31, 2006



FILED

09/20/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
County Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Appropriations.....	4
Capital Assets.....	4
Overdrawn Cash Balances	4
Repayments and Transfers.....	5
Exit Conference.....	6
Official Response	7-10

COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Richard I. Kixmiller Lawrence C. Lacer	01-01-03 to 12-31-06 01-01-07 to 12-31-07
President of the County Council	Gary R. Meyer Greg Richmond	01-01-06 to 12-31-06 01-01-07 to 12-31-07
President of the Board of County Commissioners	Carl Conner Don Williams	01-01-06 to 12-31-06 01-01-07 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF WARRICK COUNTY

We have audited the records of the County Auditor 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 Warrick County for the year 2006.

STATE BOARD OF ACCOUNTS

July 2, 2007

COUNTY AUDITOR
WARRICK COUNTY
AUDIT RESULTS AND COMMENTS

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations for 2006:

<u>Fund</u>	<u>Excess Amount Expended</u>
Misdemeanant (formerly County Corrections) Fund	\$ 271
Vehicle Inspection Fund	921
Park and Recreation Non-Reverting Operating Fund	13,873
Drug and Alcohol User Fee Fund	625
Community Correction Home Detention Fund	9,597
Park and Recreation Nonreverting Capital Fund	6,547
Extradition Fund	1,818

A similar comment was contained in the prior Reports B25419 and B27564.

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."

CAPITAL ASSETS

Some additions to the capital assets were not shown on the unit's records, some items traded in or sold at the county auction were not deleted on the unit's records, and transfers between departments were not handled correctly. Only a lump sum amount was recorded for land, with no detailed descriptions. A similar comment was in the prior Reports B25419 and B27564.

Every governmental unit should have a complete inventory of all fixed assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable General Fixed Asset Account Group Form. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 14)

OVERDRAWN CASH BALANCES

The cash balance of the Misdemeanant (formerly County Corrections) Fund and Employee Health Insurance Fund were overdrawn in 2006. A similar comment was in the prior Reports B25419 and B27564.

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 14)

COUNTY AUDITOR
WARRICK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

REPAYMENTS AND TRANSFERS

In 2005, several transfers were made that were not authorized, improperly transferred, or were transferred to the wrong fund. The Cumulative Capital Development Fund transferred \$550,000 to the General Fund that was not repaid. This transfer was made based on the County Commissioners declaring an emergency in the area of health and welfare and that these funds may be utilized to take care of those issues. Funds totaling \$118,712 were transferred from the Rainy Day Fund to the General Fund. Funds totaling \$301,567 and \$200,000 were transferred from the Landfill Maintenance and Landfill Closure/Post Closure Funds, respectively, to the General Fund that should only be transferred to the Landfill Fund. Five donation funds totaling \$6,180 were transferred to the General Fund that should have not been moved because these funds were given to the County for a specific purpose. Four funds consisting of Warrick Principal, Warrick Interest, Perigo Principal and Perigo Interest totaling \$6,546 were transferred to the General Fund. These funds were established prior to 1900 that were donated for a specific purpose. Also, the State Solid Waste Management (State Fees) Fund totaling \$9,800 was transferred to the General Fund that should have been transferred to the Landfill Fund because these fees were an overpayment made from the Landfill Fund to the State.

The transfers from Cumulative Capital Development Fund, Landfill Maintenance Fund, Landfill Closure/Post Closure Fund, the five donation funds, Warrick Principal Fund, Warrick Interest Fund, Perigo Principal Fund, Perigo Interest Fund and State Solid Waste Management (State Fees) Fund should be reimbursed to these funds by the General Fund.

The County Officials were advised that the transfer from Cumulative Capital Development Fund should not have been made and when an emergency has been declared, the expenditures should be directly paid out of the Cumulative Capital Development Fund. This also applies to the transfer from the Rainy Day Fund, which was established to help supplement other funds when those funds cannot handle their current expenditures.

In 2006, the Department of Economic Development Fund transferred \$300,000 to the Park and Recreation Fund to help supplement park and recreation expenses. Instead of the transfer, the park and recreation expenses should have been paid directly from the Department of Economic Development Fund.

All transfers were repaid in 2006 except for the transfers from Cumulative Capital Development Fund, Landfill Maintenance Fund and Landfill Closure/Post Closure Fund. The Officials were again advised to reimburse these funds from the General Fund.

A similar comment was contained in the prior Report B27564.

Payments or transfers which are not authorized by statute, ordinance, resolution, or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for County Auditor's, Chapter 14)

Indiana Code 36-9-14.5-8 (c) states in part: "Money held in the cumulative capital development fund may be spent for purposes other than the purposes stated in section 2 of this chapter, if the purpose is to protect the public health, welfare, or safety in an emergency situation that demands immediate action or to contribute to an authority established under Indiana Code 36-7-23. Money may be spent under the authority of this subsection only after the county executive: (1) issues a declaration that the public health, welfare, or safety is in immediate danger that requires the expenditure of the money in the fund; or (2) certifies in the minutes of the county executive that the money is contributed to the authority for capital development purposes."

COUNTY AUDITOR
WARRICK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 30, 2007, with Don Williams, President of the Board of County Commissioners; Lawrence C. Lacer, Auditor; and Greg Richmond, President of the County Council. The official response has been made a part of this report and may be found on pages 7 through 10.

August 7, 2007

Indiana State Board of Accounts
Attention: Tammy R. White
302 West Washington Street
Room E-418
Indianapolis, Indiana 46204

RE: Warrick County Auditor Examination
1/06 - 12/31/06
Our Client No.: 8414.001

Dear Ms. White:

On behalf of the Warrick County Council I write to you in order to provide the Council's perspective and comments in response to the exit interview conducted by Mr. Allen Linneweber and Mr. Thomas Simpson relative to the above identified time period. At the exit conference a preliminary report was discussed with members of the Council. The report was critical of the transfer of funds which occurred during the time period of July 2005 through August 2005 which was also the subject of a prior State Board of Accounts Report B 27564. SBA Report B 27564 stated in part: "The Cumulative Capital Development Fund transferred \$550,000 to the General Fund that was not repaid. This transfer was made based on the County Commissioners declaring an emergency in the area of health and welfare and that these funds may be utilized to take care of those issues. Funds totaling \$118,712 were transferred from the Rainy Day Fund to the General Fund. Funds totaling \$301,567 and \$200,000 were transferred from the Landfill Maintenance and Landfill Closure/Post Closure Funds, respectively to the General Fund that should only be transferred to the Landfill Fund."

By letter dated July 5, 2006, the Council responded to Indiana State Board of Accounts Report B 27564, a copy of that letter I enclose for your review. On behalf of the Council, I wish to reiterate that the actions in 2005 of the county office holders involved; the Council, the Commissioners and the Auditor were made under circumstances and conditions which in the opinion of those entities were threatening the health, welfare and safety of Warrick County's citizens. In the opinion of your field supervisors, these transfer transactions did not follow the protocol for bookkeeping procedure utilized to confront these emergencies. However, based upon the dire financial circumstances and humanitarian motives of the office holders involved, I believe the comments in the exit interview can truly be classified as a matter of form over substance. The actions which prompted these transfers and the subsequent execution of these transfers were made with full disclosure and discussion with members of the public as well as consultation with legal counsel and representatives of the State Board of Accounts and the Department of Local Government Financing.

Ms. Tammy R. White
August 7, 2007
Page 2

I would be glad to provide you any further historical background or documentation you desire.

Very truly yours,



Greg Richmond
President, Warrick County Council

GAG/jkh
Enclosure

July 5, 2006

Indiana State Board of Accounts
302 West Washington Street, Room E 418
Indianapolis, Indiana 46204

RE: Warrick County Auditor Examination for the Period 1/1/05 to 12/31/05

Dear Sirs:

On behalf of the Warrick County Council, I write to you to provide the Council's perspective and comments in response to the exit interview which was conducted on June 29, 2006 with Mr. Allen Linneweber and Mr. Thomas Simpson. At the conference a preliminary report conducted by Mr. Allen Linneweber and reviewed by Mr. Simpson was discussed with members of the Council. The report was critical of the transfer of funds which occurred during a time period in July of 2005 through August, 2005. The funds in question are the Cumulative Capital Development Fund, the Landfill Post Closure Fund, the Rainy Day Fund and certain dormant funds which transfers from those funds totaled the sum of \$1,086,004.38.

As evidenced by the Joint Session conducted with the Warrick County Commissioners on July 27, 2005, (a copy of the Minutes of that meeting are attached hereto) the transfer of this money was not a rush to judgment or an unauthorized transfer without prior investigation and evaluation.

During this time period, the county was facing a 1.8 million dollar deficiency due to previous bookkeeping transactions which were ultimately discovered to be in error. Compounding this bookkeeping error was an existing operating deficiency in the county Emergency Medical System (EMS) projected at that time to be a deficit of \$345,000.00 for fiscal year 2005. In light of this emergency, the county was facing the immediate closure of one or more EMS service stations and the potential elimination of additional county services..

Additionally during this time period, various councilmen as well as office holders made contacts with representatives of the State Board of Accounts and the Department of Local Government Financing to explore possible sources of funding and financing options which could be undertaken to permit the county to avoid its dire financial condition.

The County Council and the County Commissioners also consulted with their legal counsel on the appropriate legal avenues regarding the proposed transfers. It was the opinion of counsel that these transfers could be accomplished in light of the emergency facing the county if the County Executive issued a declaration that the public health, welfare or safety of its citizens were in immediate danger which required the expenditure of money from the Cumulative Capital Development Fund pursuant to I.C. 36-9-14.5-8. This declaration was made at the July 27, 2005

joint meeting with the County Council. Furthermore, the examiners' criticism of the transfer from the Post Closure Fund to the County General Fund was reported to be based on their position that the statutes do not define when or how this fund can be closed. I.C. 13-22-9-7 is contrary to their position. The Solid Waste Management Board has adopted rules for the disbursement of funds from this fund. The transfer from the Post Closure Fund in July 2005 was in compliance with I.C. 13-22-9-7.

Finally, the revised Rainy Day Fund statute I.C. 36-1-8-5.1 specifically allows for the use of funds from the Rainy Day Fund for any purpose permitted by the ordinance establishing the fund. We believe Warrick County Council Ordinance 2004-01 (copy enclosed) establishing the Rainy Day Fund authorizes the transfer made in this instance in July 2005 to the County General Fund.

I feel this response on behalf of the Council further justifies the actions taken with regard to the subject transfers from those funds and is a further explanation of the background of the dire financial condition which the county was facing in mid 2005. I wanted to provide you with the reasoning which led to these transfers which are now being questioned by representatives of your department. While in their opinion the specific bookkeeping procedure utilized to confront this emergency may be the subject of criticism, I believe they will collectively agree that the Council, the Commissioners and the Auditor's motives and actions regarding these transfers were honest, necessary and were the product of open disclosure and discussion with members of the public.

Very truly yours,



Gary R. Meyer
President, Warrick County Council

GAG/jkh
Enclosure