

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

AUDIT REPORT

OF

COUNTY AUDITOR

WASHINGTON COUNTY, INDIANA

January 1, 2006 to December 31, 2006



FILED

11/29/2007

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Lana Sullivan Sarah Bachman	01-01-03 to 12-31-06 01-01-07 to 12-31-10
President of the County Council	John D. Fultz	01-01-06 to 12-31-07
President of the Board of County Commissioners	Phillip E. Lofton Byron Green Lana Sullivan	01-01-06 to 06-05-06 06-06-06 to 12-31-06 01-01-07 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF WASHINGTON 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 Washington County for the year 2006.

STATE BOARD OF ACCOUNTS

October 4, 2007

COUNTY AUDITOR
WASHINGTON COUNTY
AUDIT RESULTS AND COMMENTS

ANNUAL COUNTY FINANCIAL REPORT

Cash and investment balances reported in the Auditor's Annual County Financial Report were incorrect as follows:

Fund	Cash and Investment Balance Reported	Correct Amount	Variance
Riverboat Revenue	\$ 308,650	\$ 170,502	\$ (138,148)
Property Reassessment	518,337	718,337	200,000
Cumulative Capital Development	28,831	378,722	349,891
Congressional School Principal	24,027	27,027	3,000
Nancy J. Morris Principal	1,154	3,754	2,600
Riley Trust Principal	7,202	11,702	4,500
Cemetery Principal	-	1,900	1,900

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)

OVERDRAWN FUND BALANCES

The following funds were overdrawn at December 31, 2006:

Fund	Amount
County User Fee	\$ 12,542
County Misdemeanant	2,966
Adult Protective Services Unit	9,214
Prosecutor's Special Fees	8,297
Park and Recreation Nonreverting	14,947
Drug Free Community Support	1,651
Indiana Child Care	5,208
Vector Control	1,420
Public Health Coordinator Grant	5,307
State Homeland Security Grant	154

The 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 of Indiana, Chapter 14)

COUNTY AUDITOR
WASHINGTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

APPROPRIATIONS

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

Fund	Year	Excess Amount Expended
General Fund	2006	\$ 410,206
Riverboat Revenue	2006	299,439
CEDIT	2006	101,267
Park and Recreation	2006	17,483
Drug Free Community Support	2006	12,000
Children Psychiatric Residential Treatment	2006	6,909
County Highway	2006	1,672

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."

INTERNAL CONTROLS

The detail of payroll withholdings reconciles to the payroll withholding control balance at December 31, 2006. However, the individual withholding funds are not being reconciled. The balance of the Due To Health Insurance Account had an unidentified balance of \$17,815 at December 31, 2006.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

LEAVE AND OVERTIME POLICY

A part-time employee of the County was earning compensatory time for certain hours worked during 2006. The personnel policy does not address part-time employees earning compensatory time.

Each governmental unit should adopt 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 board would be considered as written policy. The policy should conform to the requirements of all state and federal regulatory agencies. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR
WASHINGTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

PERSONAL USE OF COUNTY OWNED VEHICLES AND CELL PHONES

County owned vehicles were furnished to some employees to be used for County business and to drive to and from work. The vehicles used were not considered "qualified non-personal use vehicles" as defined by the Internal Revenue Service. The use of the vehicles to commute to and from work is considered personal use and is a taxable fringe benefit. No records were maintained by any of the employees of the personal mileage driven and the taxable fringe benefit was not reported on their W-2's.

County owned cell phones were furnished to some employees and other employees were paid a set amount of their personal cell phone bill for using their cell phone for business purposes. The County does not have a written policy concerning the personal use of the county owned cell phones and records are not maintained that distinguishes between business use and personal use. Personal use of County owned cell phones is considered a taxable fringe benefit and is to be reported on the employee's W-2's.

Whenever an item or other asset owned by the political subdivision is entrusted to an officer or employee, to be used at times outside the normal work time for business purposes, such as a cellular phone, or vehicle, a log should be maintained which clearly show the business use. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

PRESCRIBED FORMS

Employee's Service Record, Form 99A, or an approved form in lieu of the Employee's Service Record, has not been maintained on employees for 2006.

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
WASHINGTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 4, 2007, with Sarah Bachman, Auditor; Lana Sullivan, President of the Board of County Commissioners and former Auditor; and John D. Fultz, President of the County Council. The officials concurred with our audit findings.