

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

AUDIT REPORT

OF

BOARD OF COUNTY COMMISSIONERS

PORTER COUNTY, INDIANA

January 1, 2006 to December 31, 2006



**FILED**

11/30/2007



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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Sandra Vuko James K. Kopp	01-01-03 to 12-31-06 01-01-07 to 12-31-10
Treasurer	James Murphy	01-01-06 to 12-31-09
President of the County Council	Daniel Whitten	01-01-06 to 12-31-07
President of the Board of County Commissioners	Robert Harper	01-01-06 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF PORTER 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 Porter County for the year 2006.

STATE BOARD OF ACCOUNTS

September 27, 2007

BOARD OF COUNTY COMMISSIONERS  
PORTER COUNTY  
AUDIT RESULTS AND COMMENTS

SALE OF COUNTY OWNED HOSPITAL

On May 1, 2007, the County sold Porter Hospital, a County owned hospital. At the closing, in addition to the sales price, several accounts held by Porter Hospital and the balances of those accounts were transferred to the County. The accounts included the operating, payroll, self-insurance and customer refund account, investment accounts, and other accounts in which funds are held in trust for the payment of existing hospital long-term debt.

The money was transferred from the operating, payroll, self-insurance, and customer refund accounts into a new County bank account. This account is to be used to cover checks written by the Hospital prior to the date of sale, but which have not yet cleared the bank. Additionally, the County is to issue checks from this account for bills incurred by the Hospital prior to the date of the sale, but for which bills had not yet been presented for payment.

The money held in the various trust accounts for the payment of long-term debt incurred by the Hospital will remain in those accounts until such time as the debt has been extinguished.

Finally, the money held in the investment accounts and the sale price can be used by the County at the discretion of the County fiscal body after a five year period.

All of these funds have been transferred to the County based upon closing documents; however, none of the money has been receipted into the County funds. Based upon closing documents, cash and investments received totaled \$129,805,570; however, the County is not being provided with investment account statements for some accounts including an investment account with a balance of \$49,999,275 and another with a balance of \$14,910,180.

The County is paying bills for goods and services provided prior to the closing date and for expenses incurred as a result of the sale of the Hospital; however, none of these transactions are being recorded in the official records of the County. None of the expenses are being processed in accordance with claims procedures established by statutes.

Indiana Code 16-22-3-17(j) states:

"The proceeds of the sale or lease of all of the hospital buildings must first be applied to outstanding indebtedness attributable to the hospital buildings. The commissioners shall deposit the balance of the proceeds from the sale or lease and any property in the hospital fund in:

- (1) a nonexpendable interest bearing trust fund from which claims are paid for county hospital claims for the indigent or any other fund that the county executive and county fiscal body designate; or
- (2) the county general fund."

Indiana Code 36-2-10-16 (a) states in part:

"Before the sixteenth day of each month, the treasurer shall prepare a report showing, as of the close of business on the last day of the preceding month, the following items: . . .

- (3) The totals of money received from all other sources and not receipted into the ledger fund accounts of the county at the end of the month.

BOARD OF COUNTY COMMISSIONERS  
PORTER COUNTY  
AUDIT RESULTS AND COMMENTS

- (4) The total of the balances in all ledger fund accounts.
- (5) The total amount of cash in each depository at the close of business on the last day of the month."

Indiana Code 36-2-6-2 states:

"A person who has a claim against a county shall file an invoice or a bill with the county auditor. The auditor shall present the invoice or bill to the executive, which shall examine the merits of the claim. The executive may allow any part of the claim that it finds to be valid."

ANTABUSE COLLECTIONS BY ADULT PROBATION

As stated in the prior report, County Judges order individuals who have committed alcohol related offenses to undergo alcohol treatment. Individuals are ordered to be treated through an antabuse (anti-alcoholic) program. Individuals are required to go to the Health Department to have the drug administered on a weekly basis.

The ordinance or resolution approving the collection of fees for the antabuse program and for the establishment of the antabuse fund was not presented for audit. An antabuse fee of \$70 per month is charged to those individuals in treatment. The fee was calculated by (1) the per person monthly cost of the drug plus (2) the cost of having a nurse from the health department administer the drug, and (3) the cost of having sheriff's personnel on hand to provide security and monitor adherence to the antabuse program.

Based on the method of calculating the fee, the antabuse program should operate at a near break even basis. At December 31, 2006, the Antabuse Fund had a cash balance of \$95,892; an increase of approximately \$3,000 from 2005. This accumulated balance may indicate that the fee charged for the antabuse drug may have been in excess of actual costs.

The Board of County Commissioners should adopt an ordinance or resolution revising the antabuse fee. The Commissioners should review the disposition of the cash balance to ensure that individuals are not charged above and beyond what is allowed.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

INMATE PROCESSING FEE

As stated in prior reports, on May 21, 2002, the Porter County Board of Commissioners incorrectly established a \$25 Inmate Processing Fee. The inmate processing fee is charged to all individuals who are booked into the Porter County Jail (with the exception of state and federal prisoners temporarily housed at the Jail). If the individual has cash on his person at the time of booking, the cash is placed into an Inmate Trust Fund. The Inmate's trust fund is then reduced by the \$25 processing fee and the fee is remitted to the Auditor's office for deposit into the Inmate Processing Fee Fund. If the individual does not have cash at the time of booking, the fee is charged to the inmate's trust fund and later collected when the inmate is bonded out of Jail. If the inmate is released without paying the processing fee, he will be sent an invoice for this fee. Inmates who are later found not guilty and released from jail do not collect a refund of the inmate processing fee.

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

Disbursements made from the Inmate Trust Fund for the \$25 inmate processing fee are inappropriate because the Inmate Trust Fund may only be used for the personal benefit of the inmate.

During 2006, the Sheriff's Department remitted \$159,263.02 to the County's Inmate Processing Fee (Fund 216). This processing fee was instituted in an attempt to generate additional revenue for police activity and to supplement the General Fund. Expenditures from the Inmate Processing Fee Fund bypass the appropriation process and the general fund miscellaneous revenue may also be understated.

The Board of County Commissioners should repeal the ordinance establishing the inmate processing fee.

Indiana Code 36-1-3-8 states in part: "(a) Subject to subsection (b), a unit does not have the following: . . . (8) The power to prescribe a penalty for conduct constituting a crime or infraction under statute."

The sheriff shall hold in trust separately for each inmate any money received from that inmate or from another person on behalf of that inmate. If the inmate or his legal guardian requests a disbursement from the inmate's trust fund, the sheriff may make a disbursement for the personal benefit of the inmate, including but not limited to a disbursement to the county jail commissary (County Bulletin and Uniform Compliance Guidelines, April, 2001)

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

BOARD OF COUNTY COMMISSIONERS  
PORTER COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 16, 2007, with Robert Harper, President of the Board of County Commissioners; Gwenn R. Rinckenberger, Board of County Commissioners Attorney; James K. Kopp, Auditor; and Lindy Wilson, Chief Deputy Auditor. The official response has been made a part of this report and may be found on pages 8 and 9.

# COUNTY - PORTER

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Porter County Attorney



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October 29, 2007

State Board of Accounts  
155 Indiana Avenue  
Valparaiso IN 46383

State Board of Accounts ✓  
302 Washington St. Room E418  
Indianapolis IN 46204-2765

Re: Response to Audit Results and Comments  
Sale of County Owned Hospital

In response to the Audit Results and Comments from the State Board of Accounts regarding the Sale of County Owned Hospital, the Porter County Board of Commissioners plan to proceed in conformity with the audit opinion issued.

Prior to the end of calendar year 2007, the Porter County Board of Commissioners intend to pass ordinances creating three funds for deposit of the proceeds from the hospital sale. The Commissioners will create a permanent fund for deposit of the principal amount of the sale proceeds; which must be preserved for no less than five years. They will establish a special fund for payment of expenses incurred from trailing liabilities and a special fund for the deposit of interest earned money. The funds will be named:

1. Hospital Sale Proceeds Fund;
2. Hospital Trailing Liabilities Fund; and
3. Hospital Interest Fund.

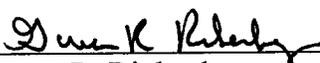
The proceeds generated from the hospital sale and deposited into the funds listed above will be treated as public funds pursuant to state code for investment, appropriation and claims approval.

The money deposited in the Hospital Interest Fund will be budgeted and appropriated in compliance with state code. Any proceeds expended from the "Hospital Interest Fund" through mutual agreement of the Porter County Board of Commissioners and the Porter County Council for donation to any organization, individual or governmental unit will be authorized by state code and will comply with I.C. 36-2-6-4 and I.C. 36-2-6-4.5. This includes the utilization of a General Grant Program.

The proceeds from the Hospital Interest Fund will be expended after the executive and fiscal bodies agree on an annual budget. The budget will be approved and submitted to the Porter County Council by the Porter County Board of Commissioners and approved and appropriated by the Porter County Council.

The county will retain an independent accountant to audit the financial records generated since the sale of the county owned hospital and provide the State Board of Accounts the documents necessary to support a reconciliation.

Respectfully submitted,

  
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Gwenn R. Rinkenberger  
Porter County Attorney

GRR/vw

Cc: Robert Harper  
John Evans  
Carole Knoblock  
James Kopp  
James Murphy  
Porter County Council