

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

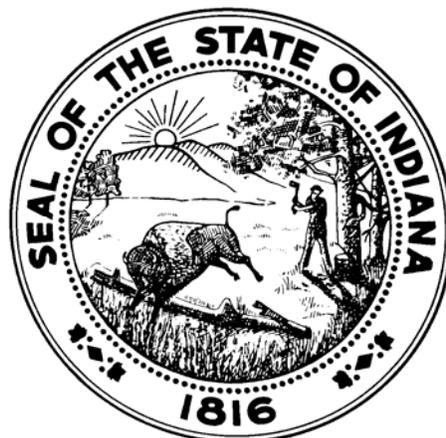
AUDIT REPORT

OF

COUNTY AUDITOR

LAPORTE 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	Teresa M. Shuter	01-01-05 to 12-31-08
President of the County Council	Jerry Cooley	01-01-06 to 12-31-07
President of the Board of County Commissioners	Marlow Harmon Barbara Huston	01-01-06 to 12-31-06 01-01-07 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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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](http://www.in.gov/sboa)

TO: THE OFFICIALS OF LAPORTE 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 LaPorte County for the year 2006.

STATE BOARD OF ACCOUNTS

November 5, 2007

COUNTY AUDITOR  
LAPORTE COUNTY  
AUDIT RESULTS AND COMMENTS

TIMELY RECORDKEEPING

We noted instances where electronic fund transfers (EFT) were not posted to the records in a timely manner. The days between the date of the EFTs' and the date until it was posted to the records range from 6 days to 587 days. From December 2005 through December 2006, \$2,475,421 was accumulated and was not posted on the treasurer or auditor's records until 2007. A similar comment appeared in the prior Report B29044.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

RECONCILIATION OF TAX SALE AND TAX SURPLUS FUNDS

As stated in prior Report B29044, financial records presented for audit were incomplete and not reflective of the activity of the Tax Sale Surplus and Tax Sale Redemption funds. The records presented did not provide sufficient information to reconcile the Tax Sale Records to the control ledger maintained by the county auditor.

At all times, the manual and/or 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 Counties of Indiana, Chapter 14)

CASH CHANGE FUND, RECEIPTS AND DEPOSITS

As stated in prior Report B29044, the Auditor's office collects fees for copies, maps, real estate endorsements, and sales disclosures. Receipts are issued for copies and maps upon request, however, they are generic duplicate receipts, not prescribed or approved by the State Board of Accounts. All other receipts were issued on prescribed forms. In addition, receipts were deposited only twice per month, not by the next business day as required. Our audit also revealed that a cash change fund had not been properly established. Cash was held back from previous receipts to make change and the fund was not balanced to a set amount each day.

Indiana Code 5-13-6-1(c) states in part: "all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . . . Public funds deposited . . . shall be deposited in the same form in which they were received."

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR  
LAPORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

RECEIPTS

As stated in prior Report B29044, the County Auditor's office does not count collections and issue receipts at the time the collections are brought over by individual departments.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

PAYROLL PAID IN ADVANCE

As noted in numerous prior reports, the Auditor is preparing and disbursing payroll checks in advance of time worked for all County employees except County highway employees.

Indiana Code 5-7-3-1 states in part: "Public officers may not draw or receive their salaries in advance."

PAYROLL DEDUCTION FUND

The Payroll Deduction Fund (Fund 221) had a cash balance of \$209,257.70 at December 31, 2006. This fund accumulates withholdings from employee's payroll and subsequently distributes the withholdings to various agencies. This fund should routinely have a zero balance after adjusting for any fund waiting for disbursement. At December 31, 2006, the only amounts not remitted were Public Employees' Retirement Fund (PERF) and Teacher's Retirement Fund (TERF) amounts withheld from the fourth quarter payrolls. These withholdings totaled \$168,148.26 and \$3,859.45, respectively, and were remitted on January 19, 2007. After these payments, an unidentified balance of \$37,249.99 remained in the payroll deduction fund. A similar comment appeared in the prior Report B29044.

Experience has shown that one of the most difficult problems encountered by public officials is accounting for payroll deductions. That is the reason the prescribed accounting procedures provide for transfers of payroll deductions into separate funds, with a separate fund to be established for each type of deduction. Also, the establishment of such funds provides a further proof of the correctness of the deductions and remittances since the entries in each fund can be reconciled to the control account in the employees' earnings records, to the earnings statements furnished employees at the close of the year and to the reports and remittances required to be made to the various federal, state and other agencies. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 6)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of managements' objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 20)

COUNTY AUDITOR  
LAPORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

SELF-INSURANCE TRUST ACCOUNT NOT IN COUNTY RECORDS

As stated in prior Report B29044, the County has had a trust account used by a plan administrator to pay medical claims for employees and dependents since December 1992. The County does not reflect this account in its records. Since that time the County's cash balance has been understated by \$430,665. The Auditor should include this account in the County combined ledger. The annual report includes the activity of this account in the audited financial statements of the County.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

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)

INTERNAL CONTROLS FOR MONITORING SUBRECIPIENTS

Sixty-Three percent of Crime Victim Assistance funds are passed through the County to two not-for-profit agencies in LaPorte County. The County Commissioners and former Auditor agreed since the County Commissioners approve the grants that the Commissioners are responsible for monitoring the grants. However, after a discussion with the Commissioner's Secretary and current County Auditor, a system for monitoring subrecipients' compliance has still not been established to ensure all financial and performance reports are filed, whether the subrecipients have a financial system in place that will accurately report federally funded projects, to ensure that the local match has been met or that annual financial statements of the not-for-profit agencies have been received.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Manual for Counties in Indiana, Chapter 14)

COUNTY AUDITOR  
LAPORTE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 5, 2007, with Teresa M. Shuter, Auditor; and Rita Layton, Chief Deputy Auditor. The officials concurred with our audit findings.