

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

AUDIT REPORT

OF

COUNTY AUDITOR

ST. JOSEPH COUNTY, INDIANA

January 1, 2006 to December 31, 2006



**FILED**

12/07/2007



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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Michael C. Eby	01-01-04 to 12-31-07
President of the County Council	Rafael Morton	01-01-06 to 12-31-07
President of the Board of County Commissioners	Cynthia A. Bodle Steven Ross	01-01-05 to 12-31-06 01-01-07 to 12-31-07



**STATE OF INDIANA**  
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TO: THE OFFICIALS OF ST. JOSEPH 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 St. Joseph County for the year 2006.

STATE BOARD OF ACCOUNTS

October 15, 2007

COUNTY AUDITOR  
ST. JOSEPH COUNTY  
AUDIT RESULTS AND COMMENTS

CASH OVERDRAFT

As noted in the prior Reports B25993 and B28219, the Group Insurance Fund and the Liability Reserve Fund have had negative cash balances dating back to 2002. As of August 31, 2007, these funds continue to have negative cash balances. The following schedule shows these funds' cash balances at periodic moments in time.

<u>Year Ending</u>	<u>Group Insurance</u>	<u>Liability Reserve</u>
12-31-02	\$ (2,091,125)	\$ (692,588)
12-31-03	(4,183,554)	(962,084)
12-31-04	(5,524,952)	(1,144,313)
12-31-05	(9,149,596)	(1,800,147)
12-31-06	(12,052,238)	(1,784,823)
08-31-07	(13,376,435)	(2,180,561)

The negative cash balances have occurred and grown in recent years because County officials have not sufficiently funded costs. These large negative cash balances are, in effect, reducing the available cash balance in other County funds. As of December 31, 2006, the General Fund cash balance was \$609,641 and not sufficient to cover the Insurance Funds' overdrawn cash balances.

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)

DRAINAGE FUNDS

A comparison of the cash balances as noted in the drainage subsidiary ledgers to the cash balances as reconciled on the funds ledger for drainage funds notes a difference that has grown during 2006 from the difference noted at the end of 2005. Combined for funds 090 and 091 the subsidiary balances exceed the funds ledger balances by \$86,335.

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 County Auditors, Chapter 14)

EXCISE TAX

The December 31, 2006, balance in the County Auditor's excise tax ledger, \$76,803,631, did not agree with the balance on the County Treasurer's Daily Balance of Cash and Depositories, \$1,459,647. Excise Settlements from 2004 through 2006 have not been posted to the Auditor's excise tax ledger. Once these are posted, the Excise Ledger will have a negative balance of \$1,438,637. This difference of \$2,898,284 needs to be researched by the Auditor and Treasurer's Office.

The County has received from the Indiana Bureau of Motor Vehicles amounts that should have been distributed to other counties and unidentified amounts. This money has been retained by the County and distributed at settlement.

COUNTY AUDITOR  
ST. JOSEPH COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

The County needs to make contact with the Indiana Bureau of Motor Vehicles to assure excise monies received by St. Joseph County in error or unidentified are either returned to the Bureau of Motor Vehicles, sent to the proper county, and/or identified.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 14)

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, Chapter 14)

SURPLUS TAX FUND

The surplus tax fund ledger was not reconciled with the County's Surplus Tax Fund. Records presented for audit indicate that at December 31, 2006, the County's Surplus Tax Fund had a balance of \$2,471,747. Lists of payments received in prior years have not been accurately maintained, thus a total amount of the outstanding surplus tax payments on hand could not be determined. The Auditor should determine current outstanding amounts and adjust the fund balance accordingly. A similar comment appeared in the prior two Reports, B25993 and B28219.

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 Auditors, Chapter 14)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Manual for County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR  
ST. JOSEPH COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 15, 2007, with Cynthia A. Bodle, Deputy Auditor; and Michael C. Eby, Auditor. The official response has been made a part of this report and may be found on page 7.

October 23, 2007

To: John Pajakowski, State Board of Accounts

From: Michael Eby, St. Joseph County Auditor

Re: Audit Results Response

I would like to take this opportunity to respond to some of the comments presented in the 2006 Annual Audit of St. Joseph County.

### **Cash Overdrafts**

As in years past, our Group Insurance line is overdrawn and continues to show a growing debt. During this year's budget cycle, the council and commissioners took steps to rectify this situation and begin paying down this debt. Details on this proposal have been forwarded to your office as part of a corrective action plan.

### **Excise Tax**

The main excise ledger is reflective of auto excise. Additional excise taxes (boat, aircraft, and lottery) and kept on a separate ledger. We will meet with our colleagues in the Treasurer's Office after tax billing season and reconcile our information.

One of the problems we have repeatedly encountered with excise taxes are the result of the new software and/or procedures of the BMV. Frequently, we receive payments meant for other counties or payments that are simply NOT identified. We do not have sufficient staff time to track down the locations of all of these transactions. Our Excise Clerk has been in contact with staff at the BMV to find a way of rectifying this situation in a manner that will not place an undue time burden on our clerk.

### **Surplus Tax Fund**

There is currently reconciliation in progress involving the Tax Sale Surplus Fund. Our IT department is working with us to provide a detail account which is automatically pulled from the tax system, rather than hand-generated reports. We had scheduled this for early this year, but we have experienced staff changes and this task will be handled with all due haste.

Should you have any further questions, please feel free to contact me.