

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

AUDIT REPORT

OF

COUNTY AUDITOR

KNOX COUNTY, INDIANA

January 1, 2006 to December 31, 2006



FILED
12/12/2007

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Terry L. Ewer Sharon Duke	01-01-03 to 12-31-06 01-01-07 to 12-31-10
President of the County Council	Robert Lechner	01-01-06 to 12-31-07
President of the Board of County Commissioners	James W. Bobe James Parish	01-01-06 to 12-31-06 01-01-07 to 12-31-07



STATE OF INDIANA
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TO: THE OFFICIALS OF KNOX 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 Knox County for the year 2006.

STATE BOARD OF ACCOUNTS

November 14, 2007

COUNTY AUDITOR
KNOX COUNTY
AUDIT RESULTS AND COMMENTS

BOARD MINUTES

Not all minutes of meetings of the governing body were available for audit. The Board of Commissioners' minutes were missing for the following meetings: April 3, June 5, July 3, August 21, September 27, and October 2, 2006.

Indiana Code 5-14-1.5-4(b) states in part:

"As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7."

CASH OVERDRAFT

At December 31, 2006, the following funds had a cash overdraft balance:

Juvenile Accountability	\$	6,059
Governor's Task Force		1,424
Landfill Closure		156
Drug Seizure		51,987
County Health Bioterrorism		146
Sewage Tax		1,219
Solid Waste Management Planning		8,064
Victim Assistance		7,567
Tax Sale Redemption		2,867

A similar comment appeared in prior reports.

The cash balance of any fund may not be reduced below zero. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 14)

INTERNAL CONTROLS

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. The County's annual report (CAR-1) contained numerous errors and the reliability of some of the funds receipts, disbursements and balances presented for audit could not be validated.

COUNTY AUDITOR
KNOX COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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, Chapter 14)

PENALTIES, INTEREST AND OTHER CHARGES

Penalties and interest totaling \$2,903.41 were paid to Regions Bank for overdrawn cash balances and nonsufficient fund fees in the Benefit Trust checking account for the period 2006.

Officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 14)

CONGRESSIONAL SCHOOL FUNDS

The County did not make their semiannual distributions of interest on the Congressional School Fund to the treasurer of each school corporation.

Semiannually, on the second Monday of July and the last Monday in January, the auditor of each county shall make distribution of the interest on the congressional fund to the treasurer of each school corporation. The interest is computed at the rate of 4% per annum on the amount held in trust for each congressional township and apportioned and distributed on the basis of the enumeration of children, pursuant to IC 21-1-1-54. The last enumeration of children was made in the year 1932 and the amounts held in trust by the respective townships have not changed since that time. Therefore, the basic apportionment and distribution formula has been affected in recent years only by the reorganization of school corporations. (Uniform Accounting and Compliance Guidelines Manual for County Auditors, Chapter 11)

APPROVAL OF FORMS

Knox County was using forms which had not been approved for use in lieu of prescribed County Form 146, General Account Asset Group.

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 Auditors, Chapter 14)

A similar comment appeared in prior reports.

COUNTY AUDITOR
KNOX COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS

Financial records presented for audit were incomplete and not reflective of the activity of the Knox County Benefit Trust Fund. The records presented did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions. Subsidiary accounts did not agree to the control for this fund.

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)

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)

PAYROLL

Our testing of the payroll system revealed the following deficiencies:

1. Employee Service Record (General Form 99A) was not maintained for all employees tested.
2. For those employees who had service records, not all contained necessary information.
3. Vacation and sick leave taken per the employee service records was not recorded as such on the payroll time sheets.
4. Payroll time sheets were not always signed by department heads.

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 6)

APPROPRIATIONS

The records presented for audit did not include an approved budget for the audit period. Complete documentation for additional appropriations was not complete and therefore expenditures exceeded budgeted appropriations for all the required funds.

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."

COUNTY AUDITOR
KNOX COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS – BENEFIT TRUST ACCOUNT

As stated in prior reports, no reconciliations of the fund balance to the bank account balance for the Benefit Trust Account (internal service fund) were performed during the audit period.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

FINANCIAL REPORT OPINION MODIFICATIONS

The County's annual report contained numerous errors and the reliability of some of the funds receipts, disbursements and balances presented for audit could not be validated, and the County did not maintain adequate financial documentation to support the numbers presented on the Schedule of Federal Financial Expenditures. Therefore, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Auditor's Report for the financial statements.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditor's Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditor's, Chapter 14)

COUNTY AUDITOR
KNOX COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 14, 2007, with Sharon Duke, Auditor; James Parish, President of the Board of County Commissioners; and Robert Lechner, President of the County Council.