

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

EXAMINATION REPORT  
OF  
COUNTY AUDITOR  
SCOTT COUNTY, INDIANA  
January 1, 2006 to December 31, 2006



**FILED**  
12/20/2007



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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Iva Gasaway Teresa Vannarsdall	01-01-03 to 12-31-06 01-01-07 to 12-31-10
President of the County Council	Stephan Patrick Bridgewater Kelley Robbins	01-01-06 to 12-31-06 01-01-07 to 12-31-07
President of the Board of County Commissioners	Mark Hays Robert C. Tobias	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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TO: THE OFFICIALS OF SCOTT COUNTY

We have examined 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 Examination Results and Comments. The financial transactions of this office are reflected in the Examination Report of Scott County for the year 2006.

STATE BOARD OF ACCOUNTS

November 1, 2007

COUNTY AUDITOR  
SCOTT COUNTY  
EXAMINATION RESULTS AND COMMENTS

FINANCIAL REPORTING

The financial accounting system chart of accounts used in 2006 to classify revenue was inadequate in that it did not provide sufficient revenue categories to properly categorize revenue for the completion of the County Annual Financial Report (CAR-1) as required by IC 5-11-1-4. Furthermore, numerous instances were noted in which errors were made in classifying revenue to the categories that did exist.

Currently, the same chart of accounts used to classify revenue in 2006 is being used in 2007 thus resulting in insufficient financial reporting in 2007.

Pursuant to Indiana Code 5-11-1-4, the county auditor is required to prepare and file an Annual Financial Report with the State Board of Accounts. The report is prepared on forms furnished by this board and must be filed on or before January 31 after the close of the calendar year. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 6)

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)

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, Chapter 14)

ERRORS ON CLAIMS

The following errors were noted during the review of claims:

1. Documentation to support disbursements made could not be found for 23% of the disbursements selected for testing.
2. The current auditor's office could not locate accounts payable voucher registers indicating board approval to pay vendors for purchases invoiced. County Commissioners indicated that accounts payable voucher registers were presented to them monthly for review and authorization of disbursements to be made. However, without a detail listing of the specific disbursements approved by the County Commissioners, there is no way to determine that the actual disbursements made were the ones approved by the governing board.

Indiana Code 5-11-10-1.6(c) states: "The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: (1) there is a fully itemized invoice or bill for the claim; (2) the invoice or bill is approved by the officer or person receiving the goods and services; (3) the invoice or bill is filed with the governmental entity's fiscal officer; (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

COUNTY AUDITOR  
SCOTT COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

OVERDRAWN CASH BALANCES

The cash balance of the County Health Fund, Cemetery Fund, and SASCO Waste Management Fund were overdrawn in 2006 in the amounts of \$72,611, \$3,701, and \$5,431, respectively. These funds were not supported by State and Federal grants for which reimbursements of expenditures from the grantor agency were expected to offset the negative cash balance.

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)

CONGRESSIONAL INTEREST

Congressional interest payments to the school corporations for 2006 in the amount of \$308 were not made. Interest payments were made from the congressional interest fund in 2006; however, these payments represented the amount due from prior years that had not been paid timely.

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 . . . (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 11)

APPROPRIATIONS

Appropriation amounts recorded in the County's financial records did not agree with the appropriations approved by the Department of Local Government Finance (DLGF). The differences may be due to amounts encumbered from the previous year; however, this could not be substantiated as records regarding amounts encumbered from the prior year could not be found by the current Auditor's office. Using the appropriation figures as approved by the DLGF the following funds had expenditures in excess of appropriations:

<u>Fund</u>	<u>Amount Expended</u>
Cumulative Court House	\$ 91,945
Health	99,315
County Welfare	133,574
Cemetery	1,602

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  
SCOTT COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

PUBLIC RECORDS RETENTION

Trust bank statements of the Redevelopment Commission for the first six months of 2006 could not be located by the current Auditor's office. The trust bank statements are sent by the financial institution to the County Auditor's office which serves as the depository for these financial records. Several attempts were made unsuccessfully to obtain this information from the financial institution.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission. . . ."

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 14)

REVIEW OF CURRENT RECORDS

A review of current financial activity in 2007 noted the following problems in recordkeeping:

1. Payroll transactions were not always recorded properly to the financial records and the County was inconsistent in how the financial transactions were recorded to the records. Instances were noted in which the County's matching portion of Social Security and Medicare tax were not being recorded to the records or were recorded twice to the records. In some instances payment for the matching portion of Social Security and the Medicare tax were recorded to the General Fund. However, there were instances of these payments being paid from employee payroll withholding funds and not being reimbursed from the General Fund.

Due to numerous problems in posting payroll transactions, multiple payroll withholding funds on the County's financial records had deficit balances in 2007.

2. Transactions were not being recorded to the financial records based upon the date the activity occurred. Checks written for payments authorized in advance of board approval were being posted to the financial records as of the date the board actually approved the payment in the subsequent month, instead of the date the check was actually written. Failure to properly post checks to the records based upon the date the checks were actually written could result in problems in reconciling the depository account balance with the record balance by the County Treasurer. Instances were noted in which checks had cleared the bank; however, the financial activity associated with the check was not posted to the financial records until the subsequent month.
3. Financial transactions were being recorded to the financial records in month's that had previously been closed by back dating the transaction to previous dates. This resulted in financial transactions and balances being different from amounts previously reported.

COUNTY AUDITOR  
SCOTT COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

4. Checks payable to the County to reimburse funds for expenditures were being held instead of receipted to the records and given to the Treasurer for deposit. Checks that had been written payable to the County from February and April 2007 were not receipted and deposited until July 2007. Failure to timely receipt activity to the records resulted in the balance of funds being understated.
5. Payments were being made from the Emergency Medical Service Fund even though this fund had incurred a deficit cash balance. The Emergency Medical Service Fund had a deficit cash balance of \$154,551 as of April 30, 2007.

The County Treasurer was responsible for receiving information regarding monies received from the County's Emergency Medical Service. Revenue earned from the County's Emergency Medical Services was to be reported by the County Treasurer to the County Auditor in order for the funds to be receipted into the Auditor's Ledger for the County's Emergency Medical Service Fund. Disbursements were being made from the Emergency Medical Service Fund by the County Auditor without knowledge as to whether or not the fund had sufficient revenue to cover the expenses.

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, Chapter 14)

COUNTY AUDITOR  
SCOTT COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 1, 2007, with Iva Gasaway, former Auditor, and on November 11, 2007, with Teresa Vannarsdall, Auditor. The contents of this report were also discussed on November 20, 2007, with Robert C. Tobias, President of the Board of County Commissioners. The official response has been made a part of this report and may be found on pages 9 through 13.

November 20, 2007

To State Board of Accounts

In response to the review of current records for year 2007 audited by State Board of Accounts. I began my first term as Scott County Auditor on January 1, 2007. I began my term with only my Chief Deputy and one employee from the former administration who was the tax specialist. The remaining employees either retired or did not show up for duty. The former office was staffed with five employees not including the Auditor. I approached the former Auditor in December and asked if my Chief Deputy and I could observe the last two payrolls in December and was told no. Jackson County, an adjoining county to ours, graciously allowed us to visit their office as they use the same software vendor Scott County does. Our first day in the office was January 2, 2007 and when we entered the office all desks were bare except for the tax specialist with the exception of some office supplies found in the desks. The files that were requested by State Board of Accounts could not be located in files that were left by the former Auditor. Every attempt to locate the requested documents in the files that were left in the office was made by my staff and me. The former Auditor has sent requests for public records via fax machine from her home but no guidance as to where the requested records could be found were made by fax or any other means. Files that were left behind by the former Auditor are still intact and except for 2007 budget information files the rest are still bundled together as they were when we entered the office. Most file cabinets in the office were empty.

The first county payroll due was January 5<sup>th</sup>, 2007. Payroll was distributed on schedule but because of only having a short training session some of the posting took time to learn exactly where they should go. We had to hire the financial software vendor to come into our office and train our staff on payroll and accounts payable. This was at considerable cost so we tried to train ourselves on the job as much as possible. Although it took time to learn the proper posting, the county withholdings (Social Security, Medicare, etc.) was paid on time.

Again, concerning the posting of financial transactions for accounts payable, this also was essentially on the job training after a training period with the vendor. We have since worked diligently to correct the posting issues for both departments.

The checks issued to the County to reimburse funds for expenditures that were being held were for the same reasons as stated above and have since been corrected.

The County Emergency Medical Services Fund was being held in a checking account by the County Treasurer and payments for the billing service were being issued from that account. I was aware that there was a substantial balance into this account from fees collected by EMS and these funds were receipted into the EMS fund. A line item was unanimously voted on in April of 2007 to be added to the EMS budget for these fees and the proceeds are now being receipted monthly into the EMS fund.

Teresa Vannarsdall  
Scott County Auditor

November 5, 2007

Re: Scott County  
Examination Results and Comments

State Board of Accounts:

I, Iva Gasaway, former County Auditor of Scott County, met with an Examiner for State Board of Accounts, on Thursday, November 1, 2007 for an exit conference. This conference was concerning the Audit of Scott County for the year 2006. I concur with their findings but wish to comment.

Some of the comments in the 2006 Audit Report is in regards to records not being presented to the State Board of Accounts by the Current Auditor's office. I feel the new auditor and new staff not being familiar with the records, may not have known what the State was asking for. I did my best to inform the new Auditor not to move any records until the State had audited for 2006. I even went as far as to put notes on some of the cabinets and even showed the State Board of Accounts what I did because they were still there auditing the 2005 records when I left office in December 2006.

During my research since the exit conference, I obtained copies of letters to show encumbered appropriations did exist for 2006 and I did not just overspend budgets.

#### **FINANCIAL REPORTING**

My term expired the same month I found this information out and we were already through the year 2006. I knew I would not have time to correct this situation within our computer system by adding more detailed receipt accounts. At the time we had closed our records and were in the process of beginning to print final books and this may have caused us problems by changing things at that time. I provide the State Board of Accounts with a letter I wrote to the new Auditor, Teresa Vannarsdall, and left in a folder I compiled for her with vital information concerning several critical items that would be facing her or important information that she would need as soon as she took office. I placed this folder on her desk before I left office on December 31st, 2006. I feel I did everything in my power to inform the new Auditor to correct this situation in the immediate future, and if it has not been corrected 11 months later in 2007, it is beyond my control to correct.

#### **ERRORS ON CLAIMS**

**1.** The County Bookkeeper or the Auditor has always been able to produce claims requested by the State for audit. The office would not draw any warrants for payments unless accompanied by a claim. I understand that about 12% of the amount of claims that could not be located during the audit was for the months of November and December. These claims are stored in office boxes, kept in the Auditor's office closet and are properly labeled.

If some claims, such as mandatory benefits, are paid during the month they were not a part of the claims process presented to the Board at their first of the month meeting, these claims were filed in the front of the file box for the month they were paid, in front of the County General Fund and written in on the next accounts payable list for advertisement.

If the current Auditor had called me when items couldn't be located, I would have directed her where these items were located when I left office or described the form or item.

#### **OVERDRAWN CASH BALANCES**

This finding is not routine of this administration.

The cash balance of the **Health Fund** was brought to the attention of the Health Department Coordinator, Health Board and County Council; meetings were held concerning this. The County Council was told at budget time amounts that the budget worksheets/orders showed needing to be cut. They called the Health Department in for a special meeting to discuss the situation. I was informed after I discussed it with the State Board of Accounts Auditor that she did return to check the 2005 minutes where it gave a brief statement that the Health Dept. was called in because of financial difficulties. There is a tape recording of these minutes. I feel if these tapes were listened to it would give the whole story of what the council discussed with the Health Dept. and would also show that the Auditor informed them how much was to be cut from this budget and it was in critical shape. Also the annual budget appropriations are recorded in the minutes of the September budget hearings and the council signed agreeing that this is what they allowed for the Health Department to spend for the calendar year 2006. Also, at budget time I presented each County Council member with a computer generated budget worksheets to show the current years budget and what was spent up to the thru July and the requested budget amount for the next year. I had one of these to work from myself. The Council would go through this workbook line by line and say what was to be cut and what was to be left along. In prior years these were kept in a semi hardback binder and had Budget Worksheet for whatever year, and is filed in the Auditor's office. The Council did instruct the Health department to increase their fees for services, shut down the home health part of the department, they did not replace a nurse that retired and with the anticipated additional fees and tax revenues they thought over a period of three years the fund would take care of itself and come back into the black. Also, all appropriations are listed in the Sept. budget hearings minutes each year that they sign approving these appropriations for the Health Dept and all other departments along with the salary ordinances for the incoming year.

The Council also knew the **Cemetery Fund** needed cuts, they did cut quite a bit and even put some appropriations over into their own budget, I think there was a mix up of claims being paid out of the Cemetery Fund that should have been paid from the Council's budget in County General. This could be corrected by issuing a check from the Council budget and receipting into the Cemetery Fund. Also, if the anticipated tax dollars were not received this too could also run a fund in the red. Also, the Cemetery Board informed the council during budget hearings that a church would be paying them \$2,500 a year for mowing & maintenance of their cemetery and they were selling plots in a certain cemetery. We then estimated more than \$3,000 in miscellaneous revenue coming in that did not happen. This should be documented in minutes during the budget hearings. The Council was told at the hearings this had not been collected by the Cemetery Board yet and needed to be to help the fund.

The **Sasco Waste Management** funds are turned in to the County Auditor from the Highway Department on a monthly basis but not on a set date of the month and could sometimes cause the fund's cash to be in the red. The Auditor's office checked with the Highway Department before the last payments were made in mid December and was told there were sufficient funds collected that could cover these last contractual payments. Again, we cut everything off at a certain time in December so books could be closed out and printed so no other monies could be receipted in that could have made this fund within \$500.00 of being in the black.

Sincerely,

/s/ Iva Gasaway

Iva Gasaway, Former County Auditor