

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

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



FILED

12/28/2007

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Bonnie Comer	01-01-05 to 12-31-08
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

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

TO: THE OFFICIALS OF SCOTT COUNTY

We have examined the records of the County Treasurer 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 10, 2007

COUNTY TREASURER
SCOTT COUNTY
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following are descriptions of conditions related to the Treasurer's financial records and how these conditions resulted in the State Board of Accounts disclaiming an opinion on the County's financial schedule:

Failure to Perform Bank Reconciliations

Bonnie Comer, Treasurer, has not performed monthly bank reconciliations since the year 2001. This condition has continued into 2007.

A reconciliation was prepared between the record balances of cash and investments to bank balances as part of the examination of records to determine whether or not the reported record balances were in agreement with the bank balances at December 31, 2006, and April 30, 2007. The reconciliation included adjustments for known recording errors and for known unrecorded transactions. The outstanding checklist prepared by the Treasurer (adjusted for known errors) was used in the preparation of the reconciliation. The reconciliation showed cash necessary to balance at December 31, 2006, and April 30, 2007, as follows:

	<u>Cash and Investments at 12-31-06</u>	<u>Cash and Investments at 04-30-07</u>
Net Depository Balances and Investments	\$ 6,358,555	\$ 6,746,223
Record Balance of Cash and Investments Per Cash Book (Control):		
Adjusted Treasurer's County Funds Ledger Balance	6,020,211	3,801,339
Adjusted Undistributed Taxes	<u>896,298</u>	<u>3,676,306</u>
Total Adjusted Record Balance Cash and Investments	<u>6,916,509</u>	<u>7,477,645</u>
Cash Necessary to Balance	<u>\$ (557,954)</u>	<u>\$ (731,422)</u>

Cash necessary to balance represents an unidentified difference between the record of cash and investments per the Treasurer's Cash Book (Control) and the net depository balances. The Treasurer should provide documentation to support adjustment to the Treasurer's Cash Book or may be held personally responsible for the amount needed to balance the funds to the reconciled bank amount.

Unidentified reconciling differences have been a historical problem in the Treasurer's Office. Reasons for reconciling differences include: untimely recording of transactions in the records; erroneous recording of financial transactions; omitted financial transactions; and inaccurate outstanding checks lists. Due to these deficiencies, it is not practical to identify all reconciling differences at a point in time.

Indiana Code 5-13-6-1(e) states: "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."

COUNTY TREASURER
SCOTT COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

The failure to perform bank reconciliations was reported in the following previous reports:

<u>Report Number</u>	<u>Report Period</u>
B21306	01-01-01 to 12-31-01
B21306	01-01-02 to 12-31-02
B24995	01-01-03 to 12-31-03
B26885	01-01-04 to 12-31-04
B29576	01-01-05 to 12-31-05

Indiana Code 5-13-14-4 states in part: "A public officer who knowingly fails to perform any duty imposed upon the officer by this article . . . commits a Class B misdemeanor."

Failure to Reconcile Cash Book (Control) to Subsidiary Funds Ledger Balance

The Treasurer is required to maintain a Cash Book Fund's Ledger (Control) (Form 47) that summarizes the daily individual financial activity recorded in the County Treasurer's Funds Ledger (subsidiary detail ledger of individual fund balances).

The County funds ledger control balance of cash and investments shown in the Treasurer's Cash Book was not reconciled with the Treasurer's detailed County Funds Ledger balance of cash and investments. The following is a comparison of the control and detail subsidiary ledger of cash and investment balances prior to adjustments and after adjustments for known errors at December 31, 2006, and April 30, 2007:

<u>Record</u>	Cash and Investments	
	Balance As Of 12-31-06	Balance At 12-31-06 After Adjustments
	Cash Book (Control)	\$ 5,787,858
Funds Ledger (Detail Subsidiary Ledger)	7,656,120	7,888,473
Variance	\$ (1,868,262)	\$ (1,868,262)

<u>Record</u>	Cash and Investments	
	Balance As Of 04-30-07	Balance At 04-30-07 After Adjustments
	Cash Book (Control)	\$ 3,459,300
Funds Ledger (Detail Subsidiary Ledger)	3,894,288	4,236,327
Variance	\$ (434,988)	\$ (434,988)

COUNTY TREASURER
SCOTT COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

This failure to reconcile the Cash Book (Control) with the Funds Ledger (Detail Subsidiary Ledger) was reported in the following previous reports:

<u>Report Number</u>	<u>Report Period</u>
B21306	01-01-01 to 12-31-01
B21306	01-01-02 to 12-31-02
B24995	01-01-03 to 12-31-03
B26885	01-01-04 to 12-31-04
B29576	01-01-05 to 12-31-05

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 Treasurers, Chapter 10)

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 Treasurers of Indiana, Chapter 10)

Failure to Reconcile Funds Ledger Balances With County Auditor

The Treasurer is required to reconcile the Funds Ledger balances of cash and investments with the County Auditor Funds Ledger balances. The respective Funds Ledgers are used to account for monies used to conduct County operations. The month end cash and investments reported by the Treasurer should agree with the balances reported by the County Auditor.

The following are the reported funds ledger balances at December 31, 2006, and April 30, 2007, prior to adjustments and after adjustments for known errors:

	Cash and Investments Balance at 12-31-06	
<u>Record</u>	<u>Prior to Adjustments</u>	<u>After Adjustments</u>
County Auditor's Funds Ledger	\$ 5,822,209	\$ 6,054,562
County Treasurer's Cash Book (Control)	5,787,858	6,020,211
Variance	\$ 34,351	\$ 34,351

COUNTY TREASURER
SCOTT COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

<u>Record</u>	Cash and Investments Balance at 04-30-07	
	<u>Prior to Adjustments</u>	<u>After Adjustments</u>
County Auditor's Funds Ledger	\$ 3,396,722	\$ 3,805,187
County Treasurer's Cash Book (Control)	3,459,300	3,801,339
Variance	\$ (62,578)	\$ 3,848

The failure to reconcile the County Treasurer's Funds Ledger balances with County Auditor Funds Ledger balances was reported in the following previous reports:

Report Number	Report Period
B21306	01-01-01 to 12-31-01
B21306	01-01-02 to 12-31-02
B24995	01-01-03 to 12-31-03
B26885	01-01-04 to 12-31-04
B29576	01-01-05 to 12-31-05

The ledger shall at all times agree with the funds ledger kept by the County Auditor, and shall be reconciled with the County Auditor at the end of each month. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers, Chapter 4)

Failure to Record Financial Transactions Timely

A review of receipts issued, bank deposits, bank statements, cancelled checks and recordings in the Treasurer's Cash Book for selected dates showed that financial activity was not being recorded timely in the Cash Book or were not recorded in the records. The following are examples of untimely or omitted recordings of financial activity that were identified:

1. An electronic funds transfer from June 2006 in the amount of \$3,815 was not recorded in the financial records until December 2006. A comparison of receipts recorded between the Treasurer's records and the County Auditor's records also identified instances in which receipts were recorded in the Treasurer's Cash Book up to 10 days after the activity occurred.
2. Instances were identified in which disbursements were recorded 30 days after the activity occurred.
3. As of August 2, 2007, only financial transactions dated through July 9, 2007, had been recorded in the Treasurer's Cash Book.

COUNTY TREASURER
SCOTT COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

4. Interest earned and bank charges incurred on depository accounts were not being recorded in the records on a monthly basis. The Treasurer had not informed the County Auditor of bank interest and service fees to be recorded in the financial records for the period December 2005 through April 2007. As of August 15, 2007, bank interest net of service fees incurred in the amount of \$65,154 for the period December 2005 to April 2007 had not been recorded in either the County Auditor's or the Treasurer's financial records.
5. Money received during the year from the County's ambulance service was not being recorded in the records. (See section below titled "Failure to Record Emergency Medical Service Financial Activity")
6. Vehicle license excise receipts received from the State were not being recorded in the records on a regular basis. At December 31, 2006, license excise tax in the amount of \$19,385 that was received in 2006 and previous years had not been recorded in the financial records. In January 2007, the unrecorded license excise tax from previous years was recorded in the financial records.
7. A comparison of the daily financial transaction recordings between the Treasurer's Cash Book funds ledger recordings and the County Auditor's funds ledger recordings for the month of April 2007 showed variances in receipt recordings for 9 out of 20 working days and variances in disbursement recordings for 15 out of 20 working days.

The failure to record financial transactions timely was reported in the following previous reports:

Report Number	Report Period
B21306	01-01-01 to 12-31-01
B21306	01-01-02 to 12-31-02
B24995	01-01-03 to 12-31-03
B26885	01-01-04 to 12-31-04
B29576	01-01-05 to 12-31-05

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 County Treasurers, Chapter 10)

Failure to Record Emergency Medical Service Financial Activity

Financial activity related to the County's ambulance service was not properly recorded in the Treasurer's Cash Book as described below:

COUNTY TREASURER
SCOTT COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

1. The County contracted with a company to perform billing and collection services for the County's ambulance service. Amounts collected by the billing service company were deposited into a separate bank account by the billing service company. The financial activity was not being recorded in the financial records at the time the activity occurred. The Treasurer did not inform the Auditor of the fees received thus the financial activity was also not being recorded in the Auditor's Funds Ledger and the Treasurer was not recording the activity in the Treasurer's Cash Book. As of May 31, 2007, collections in the amount \$391,501 had not been recorded in the financial records. This figure is a cumulative amount from the inception of the ambulance service venture in May 2005 up through May 2007.
2. Checks written during the year 2006 to a company for ambulance service billings totaling \$65,961 were not recorded in the Treasurer's Cash Book or the Funds Ledger.
3. Errors made in the year 2005 recording financial activity related to the County's ambulance service are summarized below:
 - a. Receipts were not always recorded in the Treasurer's financial records.
 - b. For receipts that were recorded, there was \$370,768 of duplicate postings.

The Treasurer was informed in the prior Report B29576 that financial activity related the ambulance service receipts for the year 2005 was incorrectly recorded in the Treasurer's Cash Book. However, no correction had been made to the records as of May 31, 2007.

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 Treasurers, Chapter 10)

Financial Report Opinion Modification

The conditions as described above resulted in the State Board of Accounts not being able to issue an opinion on the County's financial schedule.

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 Accountants' Report on the financial schedules 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 Treasurers, Chapter 10)

COUNTY TREASURER
SCOTT COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

FAILURE TO KEEP ACCOUNTS OF OFFICE

The Treasurer has failed to follow the Uniform Compliance Guidelines Manual for County Treasurers published by the Indiana State Board of Accounts by not performing bank reconciliations and by not maintaining a complete and accurate set of financial records. The failure to follow these guidelines was reported in the following previous reports:

<u>Report Number</u>	<u>Report Period</u>
B21306	01-01-01 to 12-31-01
B21306	01-01-02 to 12-31-02
B24995	01-01-03 to 12-31-03
B26885	01-01-04 to 12-31-04
B29576	01-01-05 to 12-31-05

The bank reconciliations prepared as part of the examination showed cash necessary to balance after adjusting for known errors of \$557,954 at December 31, 2006, and cash necessary to balance of \$731,422 at April 30, 2007. The performance of bank reconciliations is a statutory requirement (Indiana Code 5-13-6-1(e)) and a necessary internal accounting control function. Performing accurate bank reconciliations are required to avoid the substantial risk that:

1. Incorrect financial decision could be made due to lack of accurate financial information.
2. Irregularities or fraud could occur and go undetected.

Indiana Code 5-11-1-10 states in part: "A public officer who . . . fails to follow the directions of the state examiner in keeping the accounts of the officer's office . . . commits a Class B infraction and forfeits office."

This report was submitted to the Scott County Prosecuting Attorney as required by Indiana Code 5-11-5-1. The prior report (Report B29576) was also submitted to the Scott County Prosecuting Attorney.

PAYMENT OF AMBULANCE SERVICE CONTRACT FEES

The County contracts with a company to provide billing services for its ambulance service. Amounts invoiced by the billing service company were paid directly by the Treasurer without the claim (invoice) being approved by the Board of County Commissioners, audited by the County Auditor, or approved by the officer or person receiving the goods or services. The amount paid for the ambulance service by the Treasurer in 2006 totaled \$65,961. In addition, the Treasurer did not record these payments to the Treasurer's Cash Book.

The County Auditor is the fiscal officer of the County and is required by statute to prepare and sign warrants or checks for payment of County expenses.

Indiana Code 36-1-2-7 states in part: "'Fiscal officer' means: (1) auditor . . ."

COUNTY TREASURER
SCOTT COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-10-1.6(c) states in part: "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. . . ."

SURPLUS TAX

The following is a description of how the Treasurer accounts for surplus tax collected from tax payers:

1. The Treasurer did not inform the County Auditor of amounts collected in excess of the property tax due (surplus tax) in order for the monies to be transferred to the County Auditor and recorded in a separate Surplus Tax fund.
2. The Treasurer did not send written notices to taxpayers that the taxpayers may be entitled to a refund. Instead of notifying taxpayers of possible refunds due, the monies were retained by the Treasurer to be applied to future tax bills. The Treasurer applied \$57,344 in surplus tax collected toward taxes owed in May of 2007.
3. If a taxpayer did not have a tax bill in the subsequent year (the taxpayer had sold their property), there was no future tax bill available to apply the surplus tax collected. As of May 2007, there was approximately \$1,625 in surplus tax being held by the Treasurer for persons who are no longer identified on the Tax Duplicate as owning property.

Indiana Code 6-1.1-26-6(a) states in part: ". . . each county treasurer shall place the portion of a tax or special assessment payment which exceeds the amount actually due . . . in a special fund to be known as the 'surplus tax fund.' . . ."

Indiana Code 6-1.1-26-6(d) states in part: ". . . the county treasurer shall give the taxpayer who made the excess payment written notice that the taxpayer may be entitled to a refund. . . ."

COLLECTION OF DELINQUENT SEWER BILLS

The Treasurer accepts payments for delinquent sewer bills prior to the delinquent sewer bills being recorded by the County Auditor on the County's accounts receivable record (Tax Duplicate – Form 9). The Treasurer stated the amount collected is based on letters submitted by the payers received from the respective city and town clerk-treasurers and sewer districts. Because collections are made prior to the delinquent sewer bills being recorded on the Tax Duplicate, there is no individual tax duplicate account to post the payment and no subsidiary record identifying the composition of delinquent sewer bills recorded in the Cash Book (Form 47).

COUNTY TREASURER
SCOTT COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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 Treasurers, Chapter 10)

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 Treasurers of Indiana, Chapter 10)

COUNTY TREASURER
SCOTT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 20, 2007, with Bonnie Comer, Treasurer; Robert C. Tobias, President of the Board of County Commissioners; and Kelley Robbins, President of the County Council. The official response has been made a part of this report and may be found on pages 14 through 16.

**OFFICIAL RESPONSE
TO SCOTT COUNTY TREASURER'S EXIT INTERVIEW**

The intent of this document is to respond to comments issued in an exit interview held on November 28, 2007.

It was discussed that I never balanced with the Auditor's fund. Each month the Auditor's office and myself would run a comparison report and balance back to each other. The issued was also raised that I would not record electronic funds transfers on the day I received notice thereof. I recorded those transactions in the cash book and funds on the day I received a quietus from the Auditor. I still do not feel it is my job to tell another person in the Auditor's office when to receipt in the EFT's. The only EFT's I recorded when I received notice were the excise and Property Tax Replacement Credits. I never intentionally omitted the recording of any of these EFT's.

The bank reconciliations were also questioned. My office did perform reconciliation in complete for the years 2001, 2002, and 2003. After those dates I experienced difficulties and only was able to complete the smaller bank reconciliations.

There has been constant questions as to when and why I do not record in my cash book the same information as the Auditor. I recorded the information in my cash book on the day I received it. If that was the very day the Auditor's office did the work, I recorded it then. If it was 10 days later, then I recorded it 10 days later and made notations to that effect.

The vehicle excise has been done the same way for a number of years. In the past, the treasurer called the bank, got a total, wrote out the interest, wrote a check to the county

and left a \$1500 balance in the account. I continued to do this same process until I was told to stop. I now check balances every day on line and enter the license excise whenever the county receives it. If not on the same day, then the next due to reporting issue times on the computer.

The ambulance service bank account was always a problem and is no longer in the control of the treasurer's office. No corrections have been made to the ledger on this matter because I was given notice of these problems in January 2007 and there has been no time to correct anything before the next audit started. There has been no "down" time at all this year to make any kind of corrections up to this point.

Surplus tax was another area of concern. There is a statement in comments when indicated I failed to notify the Auditor of the amounts of surplus tax so the money could be returned. That is not true. Excess or surplus tax is always on the settlement sheet and we have always settled on the amount. I did not send any notices to people indicating they would be receiving a refund because in the past we had been told that was not necessary. The person in charge of excess was told by someone we no longer had to mail notices to people and have them sign for them.

Collections of delinquent sewer bills is an area that has been discussed. Delinquent sewers get recorded in the Recorder's office and then get turned over to the Auditor in December. The Auditor then must get them on the tax bills for collection of spring taxes. In the past, there was always a delay in the receiving of these liens and getting them on the bill. Since there was this delay and closings went on and people received letters from town hall or city hall or the sewer districts, many would come in and want to pay. In the past, my office has collected these sewers and deposited the money on the

day collected (as advised by an earlier examiner) and then once the sewers made it to the tax bills after the bills were calculated and created, the money was then applied to the sewers and any overages were applied to the taxes. Notations were always made indicating the process followed. People who paid always received a printed bill with the amount written on it and they always had a copy of the amount in the letter from the sewer billing entity. Then in the spring when they received their tax bills, the sewer amount always appeared on the bill and was marked pre-paid at that point in time.

Through the years, I always seem to get conflicting information on what is best or how to handle the problems I have encountered only to have someone else tell me something different. In the 2003 audit, I was left with a folder of information to work on and correct. In the 2004 audit, when the audit ended, I was told not to look for any more of the information and start fresh since there was a positive difference. In the 2005 audit, I was told there was told there was a huge difference to be accounted for and the same holds true for the 2006 audit. There has been no time between the 2005 audit exit interview and the 2006 exit interview to do any corrections up to this point.

I did not take this job to intentionally destroy the county financially and I do not think the county is any worse off for my holding this job. I have not nor will I ever take money from anyone or any entity. I am first and foremost a public servant and I take that job very seriously.

Respectfully submitted,



Bonnie Comer
Scott County Treasurer