

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

AUDIT REPORT

OF

COUNTY AUDITOR

WASHINGTON COUNTY, INDIANA

January 1, 2007 to December 31, 2007



FILED

08/26/2008

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Sarah Bachman	01-01-07 to 12-31-10
President of the County Council	John D. Fultz	01-01-07 to 12-31-08
President of the Board of County Commissioners	Lana Sullivan Albert M. Goering Lana Sullivan	01-01-07 to 12-31-07 01-01-08 to 05-07-08 05-08-08 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF WASHINGTON COUNTY

We have audited the records of the County Auditor for the period from January 1, 2007 to December 31, 2007, 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 Washington County for the year 2007.

STATE BOARD OF ACCOUNTS

July 17, 2008

COUNTY AUDITOR
WASHINGTON COUNTY
AUDIT RESULTS AND COMMENTS

OVERDRAWN FUND BALANCES

The following funds were overdrawn at December 31, 2007:

<u>Fund</u>	<u>Amount</u>
General	\$ 255,535
Health	27,913
User Fee	98,677
First Responder Grant	336
Adult Protective Services	11,328
Prosecutor Special Fees	30,997
Indiana Child Care	5,208
Cumulative Bridge	32,440

The 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 of Indiana, Chapter 14)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
County Highway	2007	\$ 110,372
Riverboat	2007	88,246
Rainy Day	2007	55,389
Local Road and Street	2007	23,303
Family and Children	2007	18,967
County Corrections	2007	14,472
Drug Free Community Support	2007	950

Indiana Code 6-1.1-18-4 states: "Except as otherwise provided in this chapter, 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."

UNAUTHORIZED TRANSFERS

The following transfers between funds were made without being properly approved:

1. The General Fund transferred \$50,000 to the County Corrections Fund on December 6, 2007, for the purpose of making a payment on a car lease for the Sheriff's Department. Of this amount, \$30,000 was posted to a medical and hospital appropriation for the detention center, and \$20,000 was posted to an appropriation for meals for inmates.

COUNTY AUDITOR
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AUDIT RESULTS AND COMMENTS
(Continued)

2. The County Highway Fund transferred \$17,300 to the Local Road and Street Fund in November and December 2007 to prevent the Local Road and Street Fund from having a negative fund balance at December 31, 2007. The County Highway Fund also transferred \$118,277 to the County Economic Development Income Tax (CEDIT) Fund. The Highway Superintendent stated that this was done for the purpose of reimbursing the CEDIT Fund for unspecified claims paid from the CEDIT fund that should have been paid from the County Highway Fund. After the transfers were made, the County Highway Fund had expended \$110,372 more than the approved appropriations.

Payments or transfers which are not authorized by statute, ordinance, resolution, or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 11)

EXPENSE REIMBURSEMENT ITEMIZATION

Records presented for audit noted that in November 2007, the Auditor, Sarah Bachman, and two Deputies attended a conference in French Lick, Indiana. The Auditor and her two Deputies received reimbursement for meals at the rate of \$33 per day for three days. The County paid a registration fee for the conference which included breakfast and lunch meals. The employees were also reimbursed for their hotel accommodations. The receipt for the hotel noted that a food and beverage package was included which included an evening meal. This was discussed with the Auditor on June 12, 2008. Mrs. Bachman stated that it was her understanding that a per diem reimbursement was allowable regardless of meals being included in the registration fee or provided by the hotel. Mrs. Bachman was referred to the County's personnel policy which specifically states that "if meals are provided, simply make no claim for subsistence. The State of Indiana must not pay for a person's meal more than once." Mrs. Bachman was advised to follow these guidelines.

On June 25, 2008, claims were approved by the Board of County Commissioners which included reimbursement for meals for the Auditor and two Deputies for attending a conference in Indianapolis on May 21, 22, and 23, 2008, in Indianapolis. The three individuals received reimbursement for meals while attending the conference at the rate of \$33 per day. The County also paid a registration fee for the conference of \$130 per person which included breakfast on one of the days and lunch on two of the days.

The County should not be paying for meals as part of the registration fee and again in per diem reimbursement for individuals attending conferences.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14.)

ERRORS ON CLAIMS

A review of 25 claims revealed 5 claims that were not adequately itemized. Errors included the following:

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AUDIT RESULTS AND COMMENTS
(Continued)

1. One claim had invoices attached that did not match the amount paid.
2. Late fees and sales tax were paid on one claim.
3. One claim was paid from a statement without an original invoice.
4. One claim was paid from an employee's credit card statement that was not itemized.
5. One claim was not itemized sufficiently for transportation service.

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."

LEAVE AND OVERTIME POLICY

A part-time employee of the County was earning compensatory time for certain hours worked during 2007. The personnel policy does not address part-time employees earning compensatory time.

Each governmental unit should adopt written policy regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated labor contracts approved by the governing board would be considered as written policy. The policy should conform to the requirements of all state and federal regulatory agencies. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

PERSONAL USE OF COUNTY OWNED VEHICLES AND CELL PHONES

County owned vehicles were furnished to some employees to be used for County business and to drive to and from work. The vehicles used were not considered "qualified non-personal use vehicles" as defined by the Internal Revenue Service. The use of the vehicles to commute to and from work is considered personal use and is a taxable fringe benefit. No records were maintained by any of the employees of the personal mileage driven and the taxable fringe benefit was not reported on their W-2's.

County owned cell phones were furnished to some employees and other employees were paid a set amount of their personal cell phone bill for using their cell phone for business purposes. The County does not have a written policy concerning the personal use of the county owned cell phones and records are not maintained that distinguishes between business use and personal use. Personal use of County owned cell phones is considered a taxable fringe benefit and is to be reported on the employee's W-2's.

Assets of the governmental unit may not be used in a manner unrelated to the functions and purposes of the governmental unit.

COUNTY AUDITOR
WASHINGTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Whenever an item or other asset owned by the political subdivision is entrusted to an officer or employee, to be used at times outside the normal work time for business purposes, such as a cellular phone, or vehicle, a log should be maintained which clearly shows the business use. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

Set fees are paid to drivers who transport veterans for medical services. The amount received by the drivers for transporting veterans depends on the location of the pick up and the destination. These set fees have been approved by the Board of County Commissioners. The drivers are not County employees and are not given 1099's by the County.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

CAPITAL ASSETS

The County has not compiled a detailed listing of their infrastructure assets. The County has hired a company to compile infrastructure assets, but this information is not available as of the report date. Therefore, the County has elected not to disclose capital assets information as part of the supplementary information for the year 2007.

Every governmental unit should have a complete inventory of all fixed assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable General Fixed Asset Account Group Form. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

PRESCRIBED FORMS

The Auditor did not maintain Employee's Service Records, Form 99A, or an approved form in lieu of the Employee's Service Records, during 2007. The Auditor has started to maintain this prescribed form during 2008.

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 of Indiana, Chapter 14)

COUNTY AUDITOR
WASHINGTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 17, 2008, with Sarah Bachman, Auditor; Lana Sullivan, President of the Board of County Commissioners; and John D. Fultz, President of the County Council. The official response has been made a part of this report and may be found on page 9.



WASHINGTON COUNTY COMMISSIONERS

COURT HOUSE
SALEM, INDIANA 47167

July 27, 2008

State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, IN 46204-2765
OFFICIAL RESPONSE

To Whom It May Concern:

I am writing in response to the Washington County 2007 audit report, in particular, the section titled "Unauthorized Transfers."

There were two claims paid out of the EDIT fund that should not have been. Those claims were as follows: check #64484, invoice #8371, \$56,508.83 and check #64484, portion of invoice #8316, \$61,768.17.

I hope that this clarifies the unspecified claims paid from the EDIT fund as mentioned in the 2007 audit results.

Sincerely,

A handwritten signature in cursive script that reads "Sarah Bachman".

Sarah Bachman
Washington County Auditor

A handwritten signature in cursive script that reads "Lana Sullivan".

Lana Sullivan
President, Wash Co Board of
Commissioners